

Financial and economic inclusion of Venezuelan migrants and refugees in Peru

Gap Assessment



Creating Markets, Creating Opportunities

September 2022

Context

The International Finance Corporation (IFC) has focused its efforts on developing solutions for the financial inclusion of Venezuelan migrants and refugees in Peru. Given this objective, an in-depth assessment of the economic and financial inclusion opportunities for this population in the country was conducted. This work includes multiple components:

- 1) **Demand analysis**, including market size, segmentation and market potential;
- 2) **Assessment of current and potential** supply of financial and non-financial products for migrants;
- 3) **Analysis of the gap between supply and demand** to identify business opportunities; and
- 4) **Assessment of business development investment opportunities** targeting financial services or related actors.

This report presents the **gaps between Venezuelan migrants needs in terms of access to financial services and the available supply of these services in Peru**. This exercise revealed the main market opportunities for different types of actors in the Peruvian financial system.

Acknowledgments

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List of Abbreviations

AFP	Pension Fund Administrator
ASBANC	Association of Banks of Peru
BCRP	Central Reserve Bank of Peru
BdP	Base of the Pyramid
CAVENPE	Venezuelan - Peruvian Chamber
CE	Foreigner's Residency Card
CMAC	Municipal Savings and Loan Associations
COFIDE	Development Finance Corporation
COPEME	Consortium of Private Organizations for the Promotion of the Development of Micro and Small Businesses
CPP	Temporary Permit to Stay card
CRAC	Rural Savings and Credit Banks
DSIK	Deutsche Sparkassenstiftung
EDPYME	Small and Microenterprise Development Company
FEPCMAC	Peruvian Federation of Savings and Credit Banks
IFC	International Finance Corporation
IFI	Intermediary Financial Institution
INEI	National Institute of Statistics and Informatics
KYC	Know Your Customer
LCA	Latent Class Analysis

MEF	Ministry of Economy and Finance of Peru
MYPE	Micro and Small Businesses
OIM	International Organization for Migration
ONG	Non-Governmental Organization
P2P	Peer-to-peer (lending)
PEA	Economically Active Population
PEN	Peruvian Soles
PF	Financial Products
PSF	Financial Services Providers
PTP	Temporary Protection Permit
RDS	Respondent Driven Sampling
RMV	Minimum Living Income
SBS	Superintendency of Banking, Insurance and AFP
SMV	Securities Market Superintendency

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1. Executive summary



The Opportunity in Offering Financial Services to the Migrant Community in Peru

By 2022, Peru had received more than 1.3 million migrants and refugees from Venezuela. Although the Peruvian government has offered migration regularization opportunities to this population, challenges remain. **Nearly 350,000 migrants have a foreigner's card, while another 350,000 are in the process of obtaining one.** Yet there is little information about the economic potential of this population. Most are of a productive age and with an average educational level higher than that of the local population. Regardless, **the private sector is still wary of a community, despite the unexplored market potential.**

The financial entities hold certain biases regarding the Venezuelan community in terms of their income-generation capacity and the intention to remain in Peru. Yet we found that 68% of the migrant population over the age of 18 generate income, and the average individual income reaches 917 PEN per month, in self-employed or dependent activities. **These findings suggest that the migrant population has inserted in the Peruvian economy, especially in Metropolitan Lima, where 1 out of every 10 inhabitants is of Venezuelan origin.**

This insertion in the local economy implies the emergence of multiple financial needs not currently being met. A window of opportunity for the financial sector exists. Migrants need transactional, savings and credit products to manage their business and personal activities. Furthermore, they are aware of the lack of health and risk coverage and experience has taught them the importance of protecting themselves against unforeseen events.

Yet these migrant needs are heterogeneous and shifting, with distinct demographic groups requiring different products and services. We therefore segmented the migrant market to estimate the size of specific business opportunities.

Market Segmentation

Thirteen segments were identified via multimethod analysis and those with greatest market potential were prioritized, according to their level of stabilization and economic independence. Four segments may be of interest to financial institutions:

- **The Consolidated (160,000 individuals):** They are men and women with technical and higher education, who live in nuclear families and have high income levels (1350 PEN) per individual. They have achieved a measure of economic stability and now seek a better quality of life, comfort, and are beginning to think over the long-term for their families.
- **The Provider (130,000 individuals):** They are working men with secondary educational level and average individual income levels for migrant households (771 PEN) . They live in nuclear families and have dependents, children and wives, though they are still seeking to consolidate their socioeconomic stability in Peru.
- **The Gig (60,000 individuals):** They are young men and women, who live as a couple or in small families. They have high levels of education, individual income (1,280 PEN), and technological affinity, dependent on the app-based gig economy.
- **The Empowered (47,000 individuals):** They are young, single women with high school education and average individual income (813 PEN). They are looking to finish their careers or start a business to project themselves into the future.

We also found 9 additional segments with different levels of economic integration. **Given the diversity of profiles in the migrant community, they may also present other opportunities for different players in the financial sector.**

Market opportunities

Market opportunities emerge from several areas of common need across the multiple migrant segments. This report estimates the potential market sizes for specific products or services and discusses potential barriers to for exploiting each opportunity.

Scope	Description	Estimated market size	Priority segments	Estimated revenues
Saving	Tools for the systematic promotion of savings to smooth consumption or invest.	140,000 individuals	Providers, Gig and courageous mothers	133M PEN
Remittances	Capturing the flow of informal remittances	629,000 individuals	Providers, Gig and courageous mothers	2,032M PEN
Credit	Use of alternative data for risk analysis	294,000 individuals	Consolidated and empowered	588M PEN
Digital inclusion	Connectivity among migrants and with the financial system	850,000 individuals	Providers, Gig and courageous mothers	134M PEN
Community networks	Financial support tools	295,000 individuals	Consolidated and empowered	830M PEN

Recommendations

To exploit opportunities for financial and economic inclusion of Venezuelan migrants in Peru, we offer recommendations for the different actors in the ecosystem. These actions are intended to strengthen the financial ecosystem and foster synergies among actors serving different roles.

Recommendations for financial system stakeholders in general

- **Understanding the market:** in addition to learning about the characteristics of migrant population segments, financial institutions should seek to unlearn the stereotypes that have emerged about this community. Open-mindedness and a willingness to change paradigms are key.
- **Start with available supply:** many financial institutions already have an existing value proposition relevant to the migrant population, rather, the task lies in recognizing which of these products and services best meet migrant needs. Facilitating access is the first step to enter this market.
- **Identify internal barriers:** allocate resources to reduce known barriers, such as modifying information systems and aligning the commercial incentives. It is important to conduct an internal analyses to identify other hidden barriers, including unconscious biases, that may hinder serving this population.
- **Recognize the migrant:** develop migrant communication campaigns that clearly conveys a message of welcome and recognition of their cultural values, thus helping to overcome migrant self-exclusion from the financial system.
- **Loyalty:** capitalize on the potential loyalty from migrant populations by being the first to include them in the financial system. By being the first to build trust with them, entities can develop long-term customer loyalty strategies.

Recommendations for types of financial stakeholders

- **Multi-segment banks:** there is an immediate opportunity to expand the transactions and savings client base by targeting migrants with a foreigner residency card. These products also have the potential to capture the extraordinary remittance flow, if introduced among migrant networks. Furthermore, the client data generated may be used over the medium-term to offer low-interest loans or micro-insurance.
- **Microfinance institutions and finance companies:** entities can tap the entrepreneurial potential of the migrant population by offering microcredit. Entities with experience in group lending can quickly take advantage of the existing willingness of the migrant population to establish strong networks. The inclusion of Peruvian nationals in groups may also offer greater assurance against perceived risk.
- **Fintech:** there are opportunities to capture the financial data about the migrant population through alternative risk assessment models, including working capital, motorcycle, or vehicle loans.

Recommendations for NGOs and Multilaterals

- **Market segmentation:** segments with higher levels of vulnerability have been identified and can benefit from vocational guidance services, market information, job training, financial education and psychosocial assistance for whom the value proposition of NGOs is of utmost relevance.
- **Interlocution with the financial system:** organizations that have direct contact with the population can bridge the financial sector with segments of migrants ready to take advantage of products and services in line with their current situation and not necessarily the most vulnerable population.

Recommendations for the public sector

- **Refugee claimants:** it is necessary to ensure that refugee claimants have an identification document with acceptable security features which will allow them to engage in economic activities without additional barriers.
- **Development of identity validation mechanisms:** this helps provide private sector actors with greater security guarantees when entering into contracts or transactions with the migrant population.
- **Characterization of the population:** carry out more periodic studies, such as ENPOVE (2019), to provide different actors in the public and private sectors as well as international development actors with sufficient, up-to-date information about the evolving migrant population to inform the design of policies and programs.

Recommendations for the ecosystem

- **Inter-sectorial articulation:** strengthen initiatives, such as support UNHCR's initiatives, and adopt active roles in already defined action plans. More actively involve public and private sector actors who can contribute directly or indirectly to the economic and financial inclusion of the migrant population.
- **Recruitment of migrants:** there are multiple advantages to incorporating migrants into work teams, Rrrnging from incorporating migrant perspectives on technical and operational issues to the benefits of workplace diversity. Shared experience with migrant administrative integration processes can shed light on how to overcome barriers migrants face to access services and secure formal employment.

2. Methodology



Multiple techniques for the collection and analysis of information were used in the development of this study.

Methodologies used

Methodologies were chosen depending on types of *insight* or validation sought.

For this project, the methodologies used, some in parallel, included: (1) secondary sources, (2) surveys, (3) interviews (4) WhatsApp journals and (5) mystery shopping almost.

Further details on the methods used can be found in the Annex.



1,214
Surveys



27
Interviews



13 clusters
Statistical
segmentation



10
WhatsApp
Journals



15
Secondary
studies



30
Mystery
Shopping

3. Demand characteristics



Introduction

The **Demand Characteristics** section sought to circumscribe core aspects of the migrant population. In doing so, we discovered provided evidence that addressed certain biases or lack of knowledge for financial institutions toward the migrant population. These elements included:



Market potential

Size, concentration and age range



Socioeconomic status

Educational level and earning capacity



Roots in the country

Home, work and family stability



Migratory regularization

Access to EC and ongoing procedures



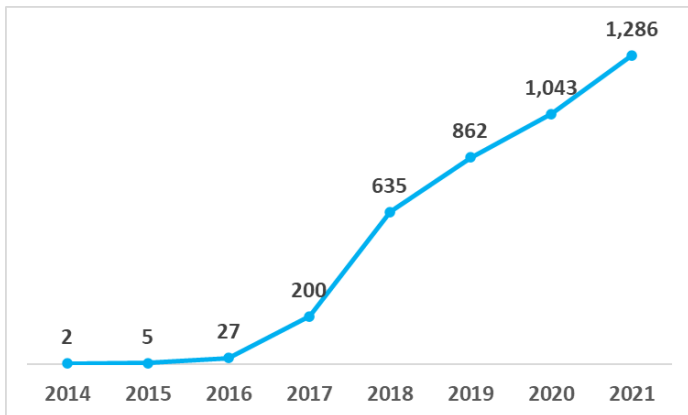
Financial experience

Access to financial products in Venezuela

This study provides evidence that helps correct misconceptions about the migrant population.

Although a significant migrant presence in Peru is felt, there is less awareness about scale of the mass migration of 1.3 million Venezuelan citizens.

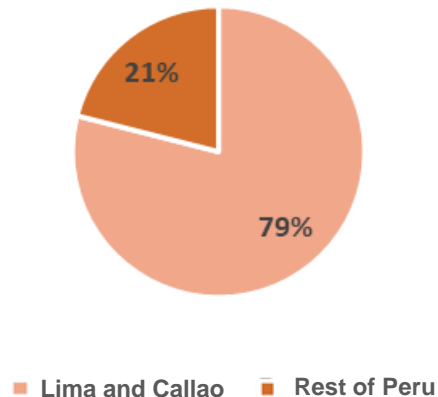
Number of Venezuelan migrants in Peru (in thousands)



Source: R4V and ENPOVE, own elaboration.

Venezuelan migrants represent about 4% of the Peruvian population. The first migrants were of productive age, between 25 and 45 years of age. As of 2019, a process of family reunification and the formation of nuclear households has been underway, reflecting an intention to stay in the country.

Concentration of Venezuelan population in Peru

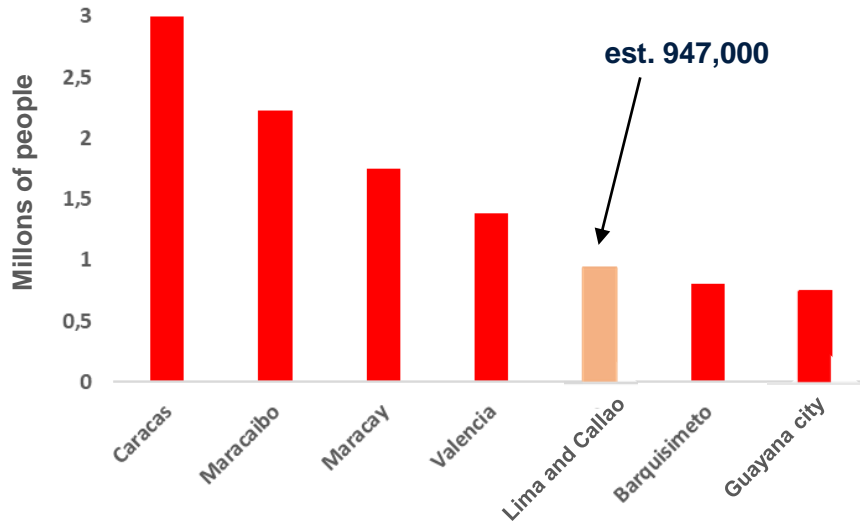


Source: Own study (2021).

76% of the migrants live in Lima, 3% in Callao and the remaining 21% are concentrated mainly in the north of the country and in Arequipa.

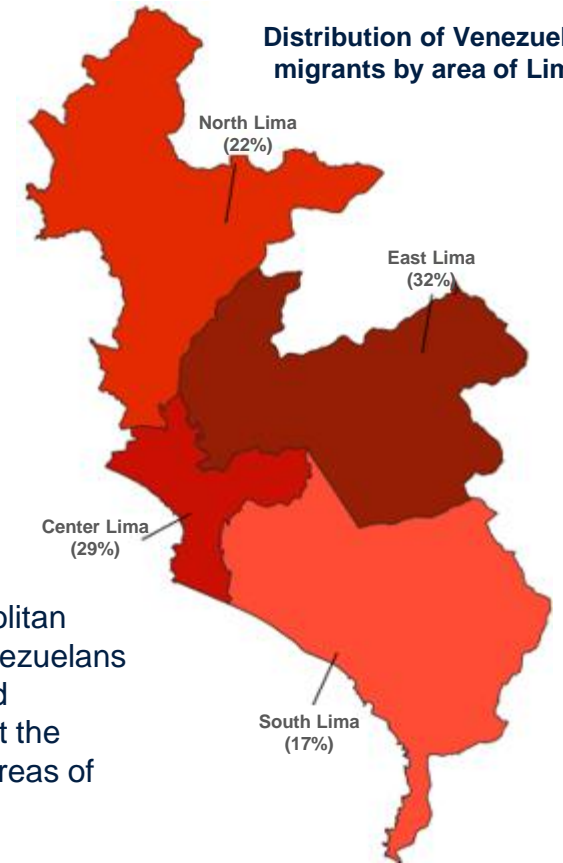
The level of market concentration is also unknown – 1 out of 10 people in Metropolitan Lima is from Venezuela.

Population of Venezuelan cities and Venezuelans (plus Lima/Callao)



Lima and Callao have a larger Venezuelan population than all but four cities in Venezuela.

Distribution of Venezuelan migrants by area of Lima



In Metropolitan Lima, Venezuelans are spread throughout the different areas of the city.

Source: Own study.

Migrant populations are commonly perceived as a burden for the receiving society, yet 83% of the Venezuelan population in Peru is economically active.

850,000 people

make up the Venezuelan economically active population in Peru (have or are actively looking for work).



Of the employed :

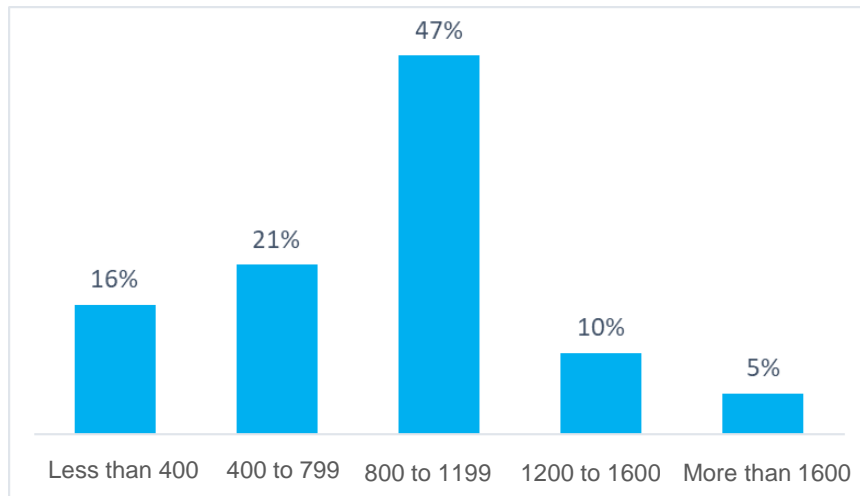
- 55% are employed
- 45% are self-employed



Family income

- 1,500 PEN monthly average
- 1.7 individuals per household earn income

On average, a migrant earns PEN 917 per month.

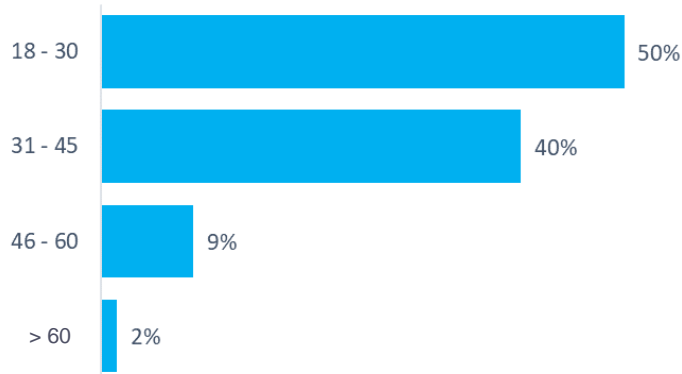


- **32% of the employed population receive 1,000 soles or more per month** and another 30% receive an income close to the RMV (2021).
- **92% work informally** (without a written contract).

Source: Own study (2021)

The migrant population is often perceived as low-skilled, yet the data indicate that the population is made up of highly educated young people.

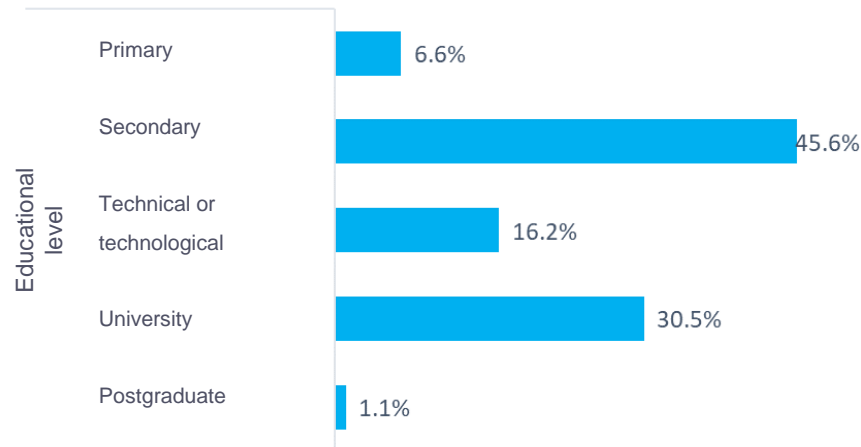
Age Composition
(Economically Active Population)



The average age among the **Economically Active Population** is 31 years.

Although initially more young men arrived, since 2019 family reunification migration has increased.

Educational Level of Economically Active Population



48% of the Economically Active Population has tertiary education (technological, undergraduate or graduate level).

Migrants demonstrate a good understanding of financial services and commercial commitments, which facilitates their integration.

Common perceptions assume the population remain highly mobile, however, most of them intend to stay in Peru.

Family, home and work stability.

70% have been living in the country for more than 2.5 years.

95% plan to stay for more than one year and 50% for more than 5 years.



2 years of average length in current home.



1 year on average in the current activity (of those currently employed)

The household composition of nuclear families suggests the intention to stay long-term in Peru.

- 4.4 individuals per household on average
- 2.5 are economically active adults and 1.5 are minors
- 87% of people with children live with them in the country

Migrants are commonly perceived as an “irregular” population, however, 343,000 are already regularized in Peru with another 350,000 in the process of regularization.

REGULARIZED

343 Thousand

They have a foreigner's ID
(Migrations)

- ❑ The study indicates that around half of the Economically Active Population already has a Foreigner residency ID card.
- ❑ 4 out of 5 migrants who arrived before 2019 already have Foreigner residency ID card.

IN PROCESS

350 Thousand

Applied for the Temporary Permit
to Stay Card (CPP)

- ❑ Regularization in process
- ❑ Since July 2021, these temporary documents, which offer the opportunity to obtain permanent residency, have been issued.
- ❑ 130 thousand of the applicants also have a refugee application process.

PROVISIONAL CONDITION

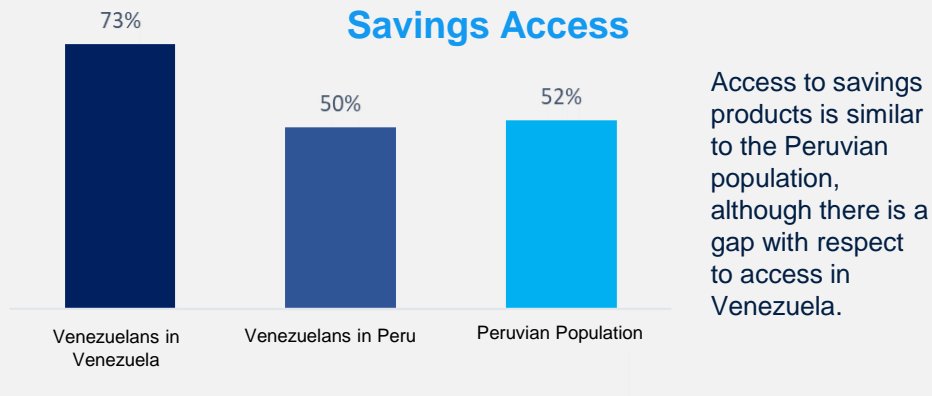
531 Thousand

Asylum applications in the
process of being resolved
(R4V)

- ❑ Peru is the country with the highest number of unresolved asylum applications in the world (UNHCR).
- ❑ It is an alternative for migrants without a passport or who did not register their entry into the country and therefore could not apply for the PTP or other mechanisms.
- ❑ The SBS Refugee Applicant card has highlighted its validity through official communication 13323-2020.

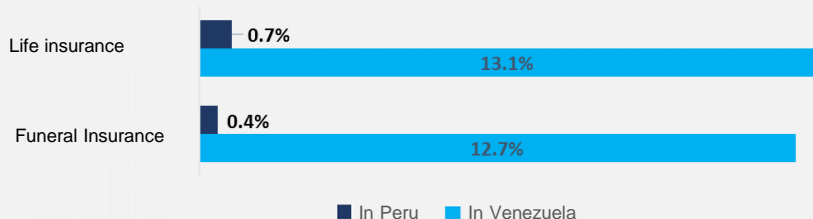
Little is known about migrant experience with the use of financial products – in Venezuela, the use of savings accounts, debit and credit cards was frequent.

Savings Access

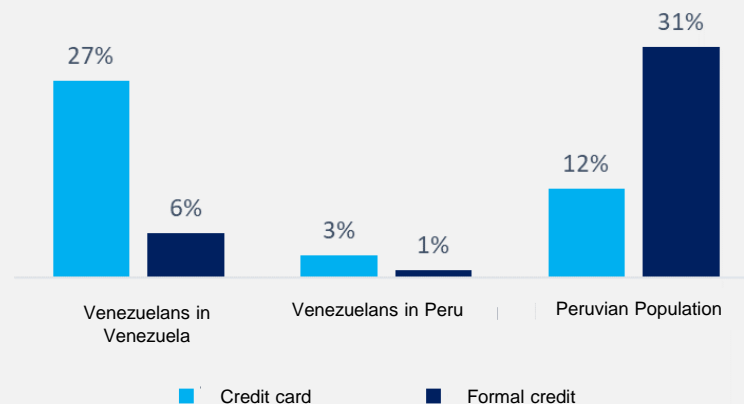


Access to Insurance

Access to insurance in Venezuela was around 13% of the Economically Active Population, in Peru it is less than 1%.



Access to Credit



30% more Peruvians have access to formal credit compared to the proportion among migrants

24% difference in credit card access in Venezuela compared to access in Peru.

The market potential of the migrant population contrasts with the limited access they have to financial products and services in Peru, indicating the existence of an unattended demand.

1

Market potential

Demographic characteristics, income-generation capacity, and progress in migratory regularization indicate that the migrant segment has market potential for the financial sector.

2

Latent demand

Since the migrant population already has experience in the use of various financial products in Venezuela, they know how to benefit from these services and demand them urgently.

3

Unmet needs

However, the financial sector's lack of knowledge of the demand translates into multiple unmet financial needs.

Conclusions

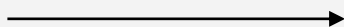
From myths to reality – evidence on demand corrects misconceptions about the migrant population:

Myths

Reality



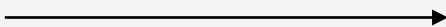
Market size is not attractive



The market size **is attractive**



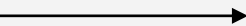
They are vulnerable



They **have high education levels and income**



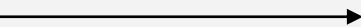
They have no roots in the country



They **intend to stay**



Most of them are irregular



Half of the Economically Active Population **has its foreign residency card** and the most of the other half is **in the process of regularization**



No experience with the financial system



3 out of 4 Venezuelan Economically Active Population migrants **were previously banked**

4. Financial needs



Introduction

This **Financial Requirements** section analyzes Venezuelan migrant needs for traditional financial sector products:



Saving



Credit



Remittances



Insurance

In addition to analyzing the needs for each of these four products, existing channels are also analyzed with emphasis on online access to the products.

There are multiple unmet needs in each financial product category



Saving

1. Savings from variable income for spending on basic needs
2. To cover emergency expenses, unforeseen shocks for themselves or relatives in Venezuela.
3. Savings to meet goals

"I don't have one because they won't accept me with my passport and much less with my ID card, my wife does have her savings account."



Credit

1. Consumption, purchase of household appliances or technology, motorcycle, mobile telephony, among others.
2. Business, purchase of supplies, machinery, equipment, motorcycles, among others.

"My biggest dream is to be able to have my business, generate my income and support my husband and family in Venezuela."



Remittances

1. Send money to Venezuela at low cost
2. Digital channels
3. Agile user experience
4. Value-added service

"I send money to his cell phone and he transfers it to an account in Venezuela".



Insurance

1. Health plan
2. Coverage of risks such as accidents, disability, theft and others.
3. Life insurance
4. Funeral insurance

"I recently got sick and went several days without going to work, at the end of the month I almost didn't complete my cab fare"

Access to transactional products is a cross-cutting need, as are connectivity and access to digital devices for personal use and business management.

High **digital affinity** paves the way for the use of digital financial products.



"I work with applications, with Indriver and Didi. I like Indriver better because they specify the service and I see if the trip suits me or not."

Transactional products

1. Person-to-person or person-to-business payments
2. Receipt of digital payments in commercial activities
3. Receiving and sending bank transfers
4. Operate gig economy related services

Source: own study (2021)

A microenterprises are an important alternative to generate income, which implies financing needs.

Access to capital to strengthen initiatives is the main need of entrepreneurs.

Owning one's business is associated with higher income and financial autonomy:

"I want to have my own business where I can have economic freedom, because I can't see myself every year in the same situation, with debts, with worries. I would like to have a little bit of freedom, economic solvency"

The sale of prepared foods and beverages, food distribution, and transportation are common activities.



61% led by women



30 thousand
estimated businesses



55% less than one year
45% more than one year



1,667 PEN
Average monthly income
50% average profit



Brand image of Venezuelan entrepreneur identified in Trujillo

The need for credit is met in some cases by borrowing from family and friends and to a lesser extent by informal lenders.

Loans from family or friends are the most recurrent strategy for the migrant population when they need emergency money.



11.92%
have loans with family and
friends

930 PEN
average loan amount

Some migrants value the access to credit provided by informal moneylenders, while other migrants stated that they would not use this service because it may involve making daily payments.

2.99%
have informal credits

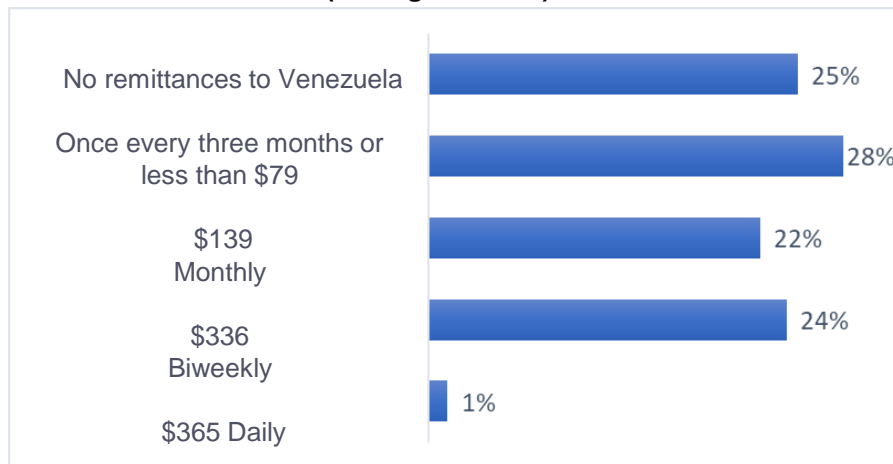
989 PEN
average loan amount



"I ask her for 600 or whatever and I set aside from my business the amount for the daily payment (. ...) it was a blessing because I started with her with 600 and then she extended to me 2,000, in a span of 4 months she gave me a credit of 2,600 soles."

82% of the adult migrant population sends remittances to Venezuela with some frequency, mainly through informal channels.

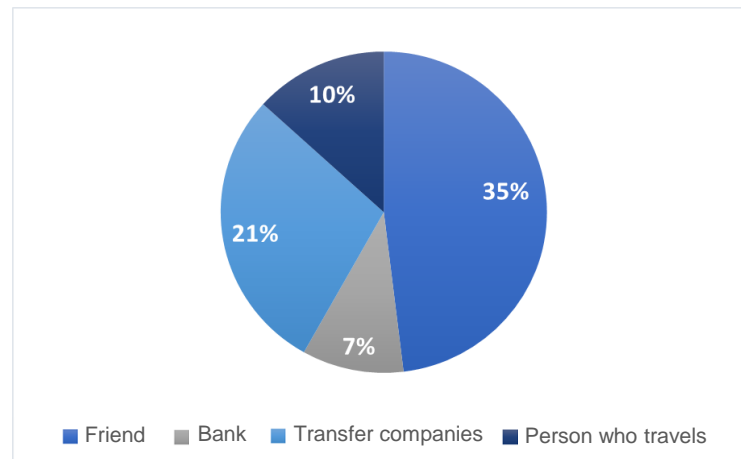
Frequency of remittances sent to Venezuela
(Average amount)



More than 615,000 people send remittances to Venezuela at least once every three months or more.

The average amount of the transfer is 213 soles, with a general range of 50 to 600 soles.

Means of sending remittances



About 170 billion soles are sent to Venezuela each year, of which only 28% are captured by the formal system.

Due to the vulnerability in which they find themselves, the migrant population feels an urgent need to protect themselves against risks and unforeseen events.

Risks that threaten earning capacity



Illness



Occupational or personal accident



Theft or loss of productive resources

Protection for the family nucleus



Health insurance



Life insurance



Funeral insurance

"I would like to be on the payroll because if I get sick I have somewhere to go to get medical care."

Conclusions

Although there are financial needs common to the migrant population, there is also a diversity of profiles that need to require more in-depth exploration:

1. Cross-cutting requirements:

Access to transactional and savings products are common financial needs for the entire population.

2. Specific products:

Some offerings are relevant to specific profiles. For example, credit and insurance products should be tailored to the specific needs of each client.

3. Market segmentation:

The identification of financial needs for specific population groups requires segmentation to facilitate the assessment of market sizes and the definition of offerings.

5. Market segmentation



Introduction

The **market segmentation** identifies the different socio-demographic profiles that exist among the migrant community, with the goal of better characterizing additional elements of interest:



Demographic characteristics



Market sizes



Economic activities



Income levels



Particular requirements



Aspirations

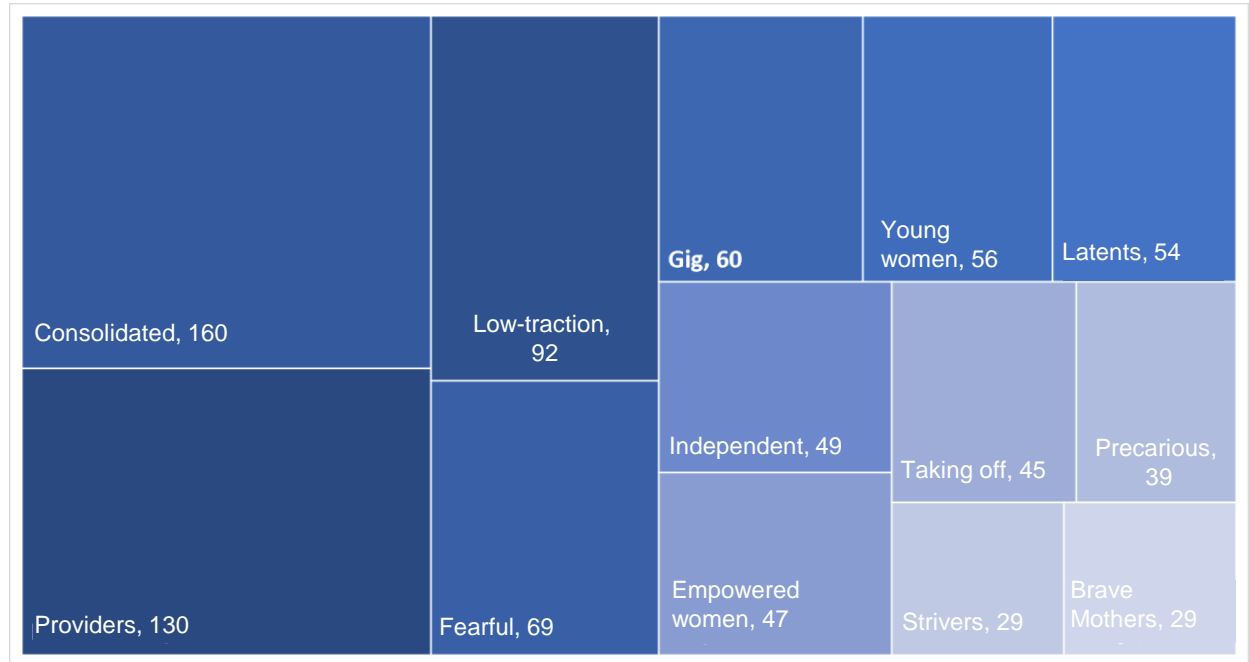
This **market segmentation** section describes the methodology used to identify and prioritize segments and presents the most relevant characteristics, aspirations, and financial needs of the prioritized segments.

The market segmentation was carried out by applying the Latent Class Analysis (LCA) method, using 27 quantitative variables, including sociodemographic criteria, migration profiles, and financial product access and experience, among others.

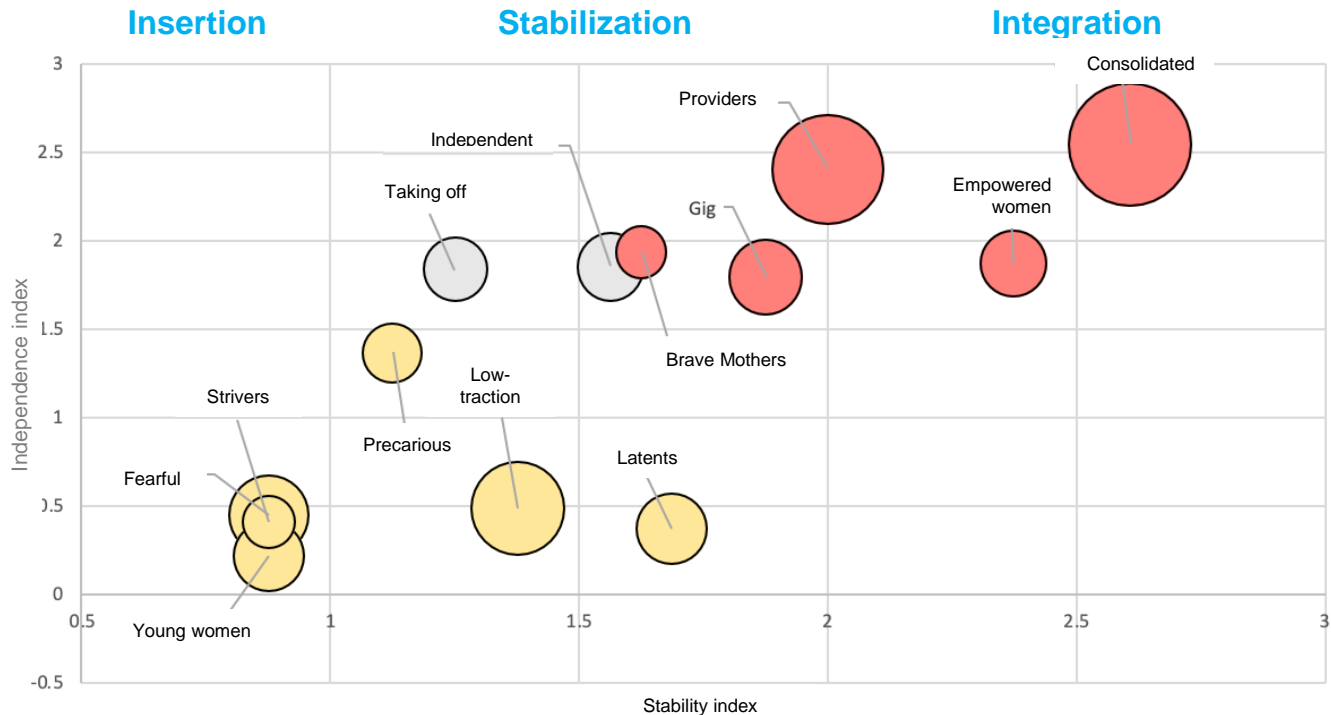
Variable categories
Sociodemographic
Migration profile
Economic activity
Psychosocial
Experience with financial products
Current financial products
Financial practices
Digital affinity



The process divided the Venezuelan Economically Active Population into **13 segments of different sizes**, which were then analyzed through qualitative activities to develop a customer profile.



The 5 segments further along in the integration phase have greater stability and economic independence and can therefore benefit from a wide range of financial products.



The **stability** index measures the level of integration and consolidation of the household in Peru: regularization, family reunification, financial access and time in housing and work.

The **independence** index is the person's level of economic autonomy in Peru: role in the household, amount of income and type of employment.

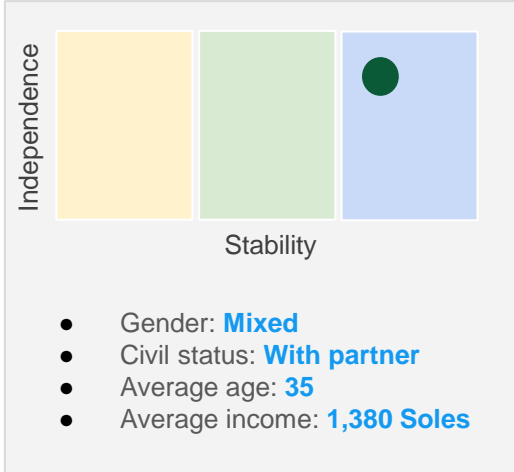
The segments are differentiated according to the relationship between the levels of stability and independence.

The higher the segment is positioned towards the top-right, the more immediate the potential market for a wide range of financial products.

	On track for integration - prioritized segments
	Seeking stability - in the process of stabilizing or becoming independent.
	Most vulnerable - earned less than 250 PEN in previous month.

PRIORITIZED SEGMENTS

Consolidated (160K)



Regularized men and women, with a high level of education and income, living with a family and looking for greater comfort.

Goals

- Consolidate business and expand.
- Validate your professional degree.
- Open a school in the future.

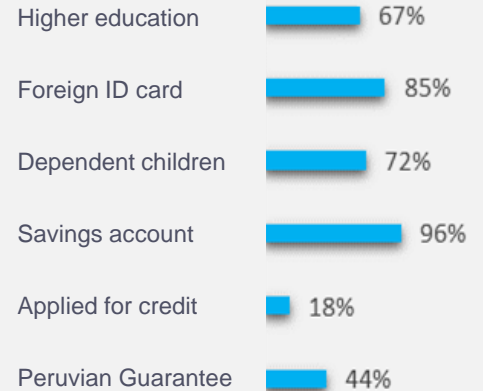
Financial requirements

- Savings account in dollars for investment.
- Credit for local business endowment, motorcycle.
- Personal credit for housing.
- Credit card or consumer credit.
- Health insurance and protection against risks.

Frustrations

- Although they have a demonstrable income and a foreign ID card, they have difficulty accessing credit that would allow them to consolidate their businesses.

"I would like to have a credit card to bring in products or shop through Amazon. I haven't gone to the bank to apply for it, because realistically I highly doubt they would approve it."



PRIORITIZED SEGMENTS

Empowered Women (47K)



Independence



Stability

- Gender: **Females**
- Civil status: **Single**
- Average age: **29**
- Average income: **813 Soles**

Young, single, regularized women. They have a high school education and are looking for personal and professional fulfillment.

Goals

- Start a business.
- Complete a university education.
- Stay healthy and have economic stability.
- Visit her family in Venezuela which she has not seen for 4 years.

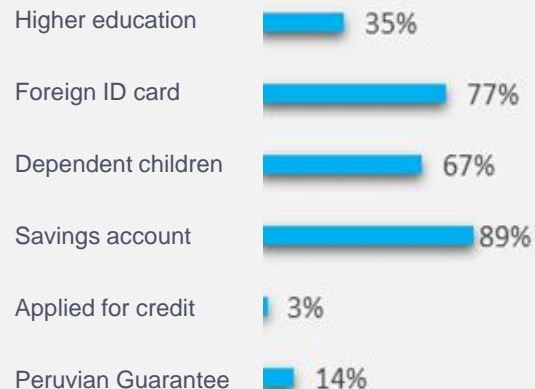
Financial requirements

- Health and life insurance.
- Credit card, educational credit.
- Cell phone plan.

Frustrations

- She has not been able to access a phone plan or credit card even though she thinks she could pay for it.

"All went well when I arrived, I managed to get my Foreign ID card, validate my degree and get a job very quickly."

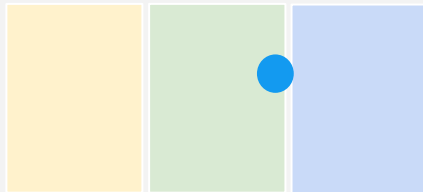


PRIORITIZED SEGMENTS

Providers (130K)



Independence



Stability

- Gender: **Males**
- Civil Status: **With partner**
- Average age: **34**
- Average income: **771 Soles**

Parents, in the process of regularization, high school education, in stable middle-income jobs.

Goals

- Starting an upholstery business in the medium term.
- University education for your children.
- Buying a house in Peru.

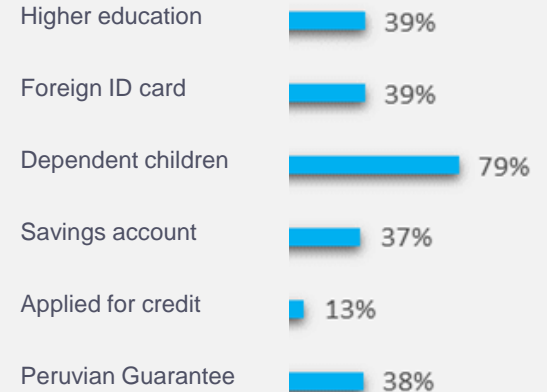
Financial requirements

- Savings account, digital wallet.
- Health insurance, life insurance and protection against occupational hazards.
- Personal credit for housing.
- Motorcycle loan for personal use.

Frustrations

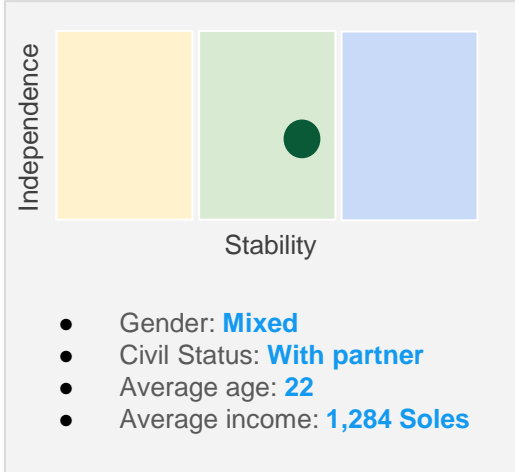
- Thinks that migrants lack equal opportunities, and he has not applied for credit because other people have told him that banks do not lend to them.

“I would like a credit of S. 8,000.00 soles so that I can open a bakery, generate my own income and not depend on someone else”.



PRIORITIZED SEGMENTS

The gig (60K)



Young people in a relationship with few dependents, working in services, gig economy, high education and good income.

Goals

- Obtaining a Foreign ID card.
- Plan to start an electronics repair business in the future.
- Continue studying in your professional field.

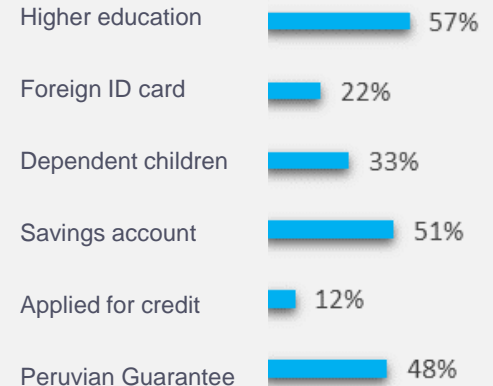
Financial requirements

- Savings account, digital wallet.
- Credit card for consumption and credit history building.
- Credit for housing endowment.
- Student credit.
- Health, accident and life insurance.

Frustrations

- Concerned about the risks they are exposed to because of the lack of health insurance.

"Health insurance is very necessary, but I am not eligible here because I don't have a foreigner's card."

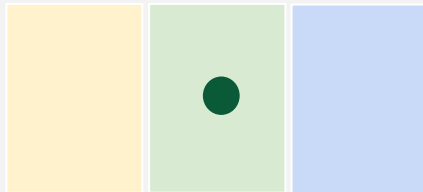


PRIORITIZED SEGMENTS

Brave Mothers (29K)



Independence



Stability

- Gender: **Females**
- Civil Status: **Separated**
- Average age: **41**
- Average income: **804 Soles**

Women of adult age, separated or divorced, with a high level of education and children in their care.

Goals

- Entrepreneurship, she would like to open a shop to offer Venezuelan desserts.
- Higher education for her son.
- Own a home in Peru.

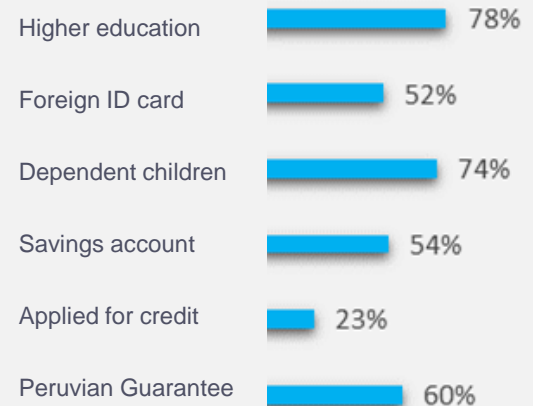
Financial requirements

- Health and life insurance.
- Programmed savings.
- Working capital loan.
- Consumer credit for housing endowment.

Frustrations

- She has not been able to access credit.
- She has not been able to validate her university degree.

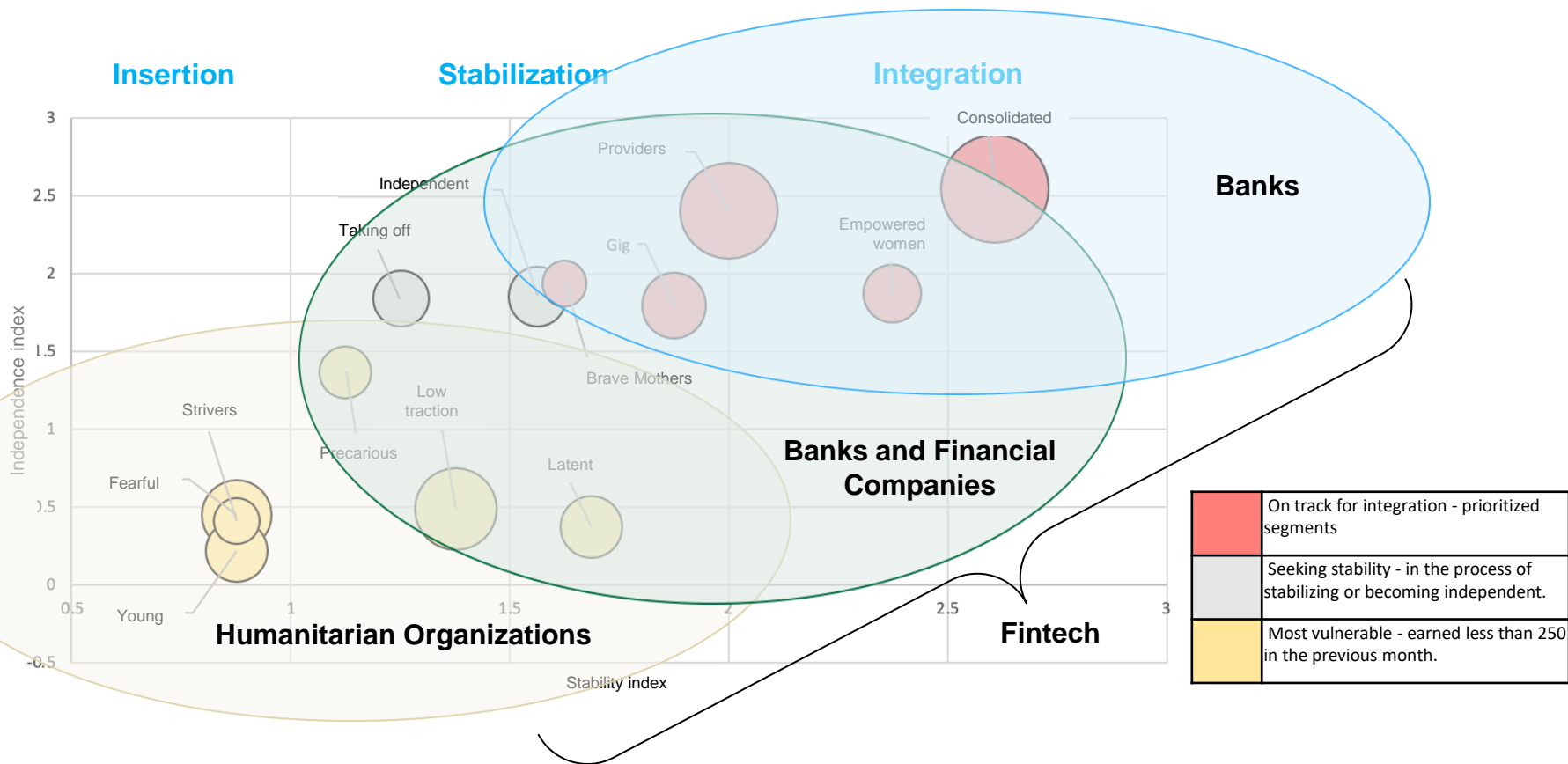
"In Venezuela you could deposit a certain amount and your card would be based on what you had, the bank would give you a margin to play with your own money, but here there is no such system".



The migrant population's needs differ depending on the segment and evolve as they advance in the integration process.

	Insertion	Stabilization	Integration
Financial requirements	Remittances Transactional products Savings to smooth consumption or invest in a micro-business. Equipment or working capital - micro-businesses. Health insurance	Remittances Transactional products, as part of the productive activity. Savings as a protection against unforeseen events. Microcredit, loans for housing endowment. Health insurance.	Remittances Consumer credit Savings for major purposes such as investment, purchase of goods, pensions. Credit for business, vehicles or motorcycles, housing endowment, mortgages. Health insurance
Non-financial requirements	Employability, job training. Market information, entrepreneurship training.	Business management, marketing channels, value chains, Validation of degrees, job placement.	Consolidation of productive activity Long-term life project
Segments	The strivers, the fearful, the young women 154k people	Providers, Gig, brave mothers, self-employed, taxpayers, latents, precarious, low-traction 454k people	The consolidated, the empowered 207k people

The financial ecosystem has a variety of capabilities that can address the different financial needs of the identified segments.



Conclusions

Understanding the characteristics of the market segments allows to identify the most relevant value propositions for each segment:

1. Heterogeneous population:

The needs of the migrant population evolve as they advance in the integration process in Peru. The different levels of integration require different types of needs.

2. Priority segments:

The segments that have made the greatest progress in the integration process, in terms of stability and economic independence, can access a wide range of financial products and services.

3. Value propositions:

Many financial and non-financial actors of different types can find migrant segments for which their offerings are relevant, according to each level of integration.

6. Supply analysis



Introduction

The **Supply Analysis** section presents a comprehensive market analysis from a supply perspective, identifying available products and the unmet demand created by barriers to access. The products focused on in this analysis include:



Saving



Credit



Remittances



Insurance

For each of these products, we analyzed the **barriers and enablers** to the use of these products by the Venezuelan migrant population. The main methodology used to identify these barriers was the **mystery shopper**.

In addition to the needs analysis, we also evaluated the channels available to the target population.

Finally, we present select best practice cases of **international experience** which serve as a global reference to understand the barriers, limitations, and opportunities with the current financial products and services in Peru.

Before looking at market's supply of financial products and services, remember the main characteristics of migrant demand.

SOCIO-DEMOGRAPHIC CHARACTERISTICS



1 out of 10 people in Lima is Venezuelan. More Venezuelans live in Lima than any city outside of Venezuela.



Migrants have a higher level of education than their Peruvian counterparts with the same average income.



Most migrants have reconstituted a nuclear family and intend to stay in Peru.



The migrant community act as their main psychological, social, and economic support..



Despite an informality rate that exceeds 90%, more than a third earn more than PEN 1,000 per month individually.

FINANCIAL NEEDS AND CHARACTERISTICS



They were banked in Venezuela and have experience in credit management.



They appreciate bank savings accounts and value especially access to electronic wallets.



4 out of 5 migrants send remittances regularly to support their families.



There is a high willingness to protect against risks and unforeseen events.



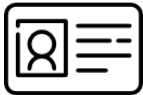
Cellphones, apps, and data are key tools in social and economic life.

Formal remittance services are easily accessible and have a lower cost than informal channels, but they fail to capture the largest proportion of the money flow.

Formal channels



Banks and Companies offer money transfer services to Venezuela with ease of access and competitive prices.



Any valid identity document (EC, PTP, Passport, Refugee Card) is accepted.



The service cost is 5% of the total amount sent.

Informal channels



Migrants use mechanisms such as cryptocurrencies and savings accounts in Venezuela for the conversion of money (the client is unaware of this).



There is little transparency in the cost of sending money, although this can be up to 10% of the amount sent.



Informal mechanisms are preferred by migrants due to the proximity to the service provider and ease of delivery (via yape, plin, etc.).

Savings accounts are difficult to access for those without Foreign residency card, which also prevents them from accessing a digital wallet, a critical tool for the migrant population.

Advantages

Access opportunity

Migrants with Foreign ID cards can do digital onboarding in YAPE. In all other cases, it is required to have a savings account with the corresponding entity.

Digital management

The frequent use of mobile devices by migrants facilitates access to digital products and engagement with the service.

Ecosystem

The widespread use of digital wallets for small business or person-to-person transactions reinforces the need for use of the product among migrants.



+6M users
Operators: BCP, MiBanco, Banco de la Nacion, Cajas Cusco, Piura and Tacna.



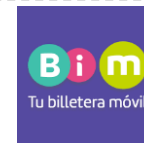
+3M users
Operators: BBVA, Scotiabank, Interbank, BanBif, Cajas Arequipa and Sullana.

tunki

+1M users.
Operator: Interbank.



+1M users.
Operator: Interbank.



+1M users.
Operator: +26 financial institutions.

The available credit and insurance products are of great relevance to the migrant population, but they are difficult to access due to requirements or costs.

Credit

Relevant products



Consumption



MSE



Motorcycle/Vehicle



Group

Access requirements

- Foreign residency card
- Demonstrable income
- Pledges or guarantors
- Credit history

Average cost

- Consumption: 43.48%.
- MSE: 35.68%.
- Mortgage: 7.32 %

Source: [SBS](#)

Insurance

Relevant products



Health



Life



Risks



Education

Access requirements

- Passport or Foreign residency card
- Bank account

Costs

Between 100 and 300 soles monthly premium for low premium policies. High for most migrants.

Product and service offerings designed for the local population are relevant to migrants, but they do not capture potential demand.

Products of interest	Supply	Market currently served as a % of identified demand
Remittances	International money transfers and remittances with capillarity through alliances between banks and remittance providers.	15% - 25%
Savings accounts Digital transactions	They facilitate transactions between people and businesses.	40% - 50%
Credit	Consumer and business products, in individual and group formats.	Less than 5%.
Insurance	Products aimed at informal workers: health, life, risk, education, etc.	Less than 5%.

Source: own study (2021)

Internal barriers

Despite having relevant products, financial service providers face numerous operational challenges in meeting demand.



Information systems

Adjustments are required to accept new documents such as the PTP.



KYC/ALM

The regulation requires minimum identity verification procedures



Risk assessment

Requires adjustments to accommodate a population without information



Biases and prejudices

What supports the credibility of a campaign aimed at migrants?



Convincing leaders

Necessary to prioritize products targeting at migrants over other initiatives

Access Barriers

Different types of barriers were identified through mystery shopper visits to multiple entities' customer service channels.



Communication barriers

Information

Migrants are unaware of financial institutions, their products, or their channels.

"I had heard bad things about the bank, and on other occasions I had only gone to the teller window to change some bills."

Self-exclusion

There is a belief among the migrant population that financial entities do not see them as worthy of the attention or service.

"We don't have the same banking opportunities as the citizens of this country, I have been trying to get a credit card for a long time and it has been impossible."



No strategies were identified for communicating relevant value propositions to migrants.

Basic requirements for access to standard financial products represent barriers for the migrant population.

	Saving	Credit	Insurance	Remittances
Identification: A foreign residency ID card was required to access most financial products, with the exception of those offered by fintech companies.				
Costs: The cost of monthly insurance premiums and remittance fees are high for the average migrant income.				
Financial information: Difficult to comply with, given that over 90% work in the informal economy and many do not have a financial product in Peru.				
Credit history: Requested for access to different types of credit in all financial institutions, with the exception of fintechs.				
Guarantees and / or collateral: Required for business and personal loans. In some cases, it can be replaced by a person with assets serving as a guarantor.				

- Barrier intensity +



When the requirements are indispensable to access a product or service in more financial institutions, the barrier is considered more intense.

Summary of the mystery shopper exercise by type of financial product and digital experiences with fintech companies.

	PRODUCT	Saving	Credit	Insurance		FINTECHS*	
VARIABLE	N° visits - Exercises	7 visits	15 visits - 1 exercise	4 exercises	VARIABLE	Company 1	Company 2
Information provided	Sufficient				Information search process		
Staff attitude	Cordial				Response time		
	Felt heard				Documentation		
	Ability to resolve doubts				Requirements		
	Visit exceeded expectations				Interest (%)		
	Inconvenient documentation and requirements						
Product assessment	Interest						
	Adequate requirements						

* Exercise performed online

A heterogeneous attitude towards migrants: customer service often differs not only between entities of the same type, but also between agencies of the same entity.

The mystery shopper exercise showed that customer service and communication of an entity's value proposition are key aspects in capturing the potential of the migrant market.

- Reinforces or transforms migrants' perception of the financial system and their willingness to apply for products.
- Testimonials reveal a **significant emotional experience** (positive or negative) stemming from contact with the financial entity.
- **Security personnel** perform customer service functions in some financial institutions.



"Excellent, as was able to clearly answer all my questions and concerns. Was fully knowledgeable on the subject matter."

Shopper Financial Company

"The people were kind. At no time did they discriminate against me for being Venezuelan. The security guard was very kind, they even let me park my motorcycle in the bank parking lot."

Bank Shopper



"They wouldn't even let me into the office, even though I complied with their requirement to have my identification document, and my vaccination card."








Shopper Financial Company

"Answered what I already knew he would answer because the truth is that wherever you go for credit, they always tell you the same thing."

Bank Shopper








Internationally and especially in sister case of Colombia, progress has been made in overcoming migrant identification barriers.

Fraud identification and prevention

Solution	Barrier	Main feature	Country
 <p>Experian in partnership with Migración Colombia</p>	<ul style="list-style-type: none"> Identity validation Fraud prevention 	<ul style="list-style-type: none"> Web-based identity validation service with consultation charge. 	
 <p>Truora</p>	<ul style="list-style-type: none"> Identity validation Fraud prevention 	<ul style="list-style-type: none"> Batch identity validation service. 	
 <p>Movii</p>  <p>Tpaga</p>	<ul style="list-style-type: none"> Access to transactional account without a Foreign residency or ID card. 	<ul style="list-style-type: none"> Enables digital onboarding with PEP. 	
 <p>Hawiyati, Making Cents intl</p>	<ul style="list-style-type: none"> Identity validation Fraud prevention 	<ul style="list-style-type: none"> Digital passport supported by blockchain. Piloted in Lebanon with Syrian refugees and in other contexts. 	







International experiences also offer **new ways to reduce barriers to credit access.**

Access to credit

Solution	Barrier	Main feature	Country
 Aflore	<ul style="list-style-type: none"> Lack of financial information, credit history and endorsements. 	<ul style="list-style-type: none"> Access to credit through advisor recommendations. 	
 Bancamía  Banco W	<ul style="list-style-type: none"> Lack of financial information, credit history and collateral. 	<ul style="list-style-type: none"> Traditional microcredit for entrepreneurs. 	
 Lenddo EFL	<ul style="list-style-type: none"> Lack of financial information, credit history and collateral. 	<ul style="list-style-type: none"> Alternative scoring Use of psychometric data 	

Digital solutions and support for agent schemes strengthen remittance offering.

Remittances

Solution	Barrier	Main feature	Country
 <p>Valiu</p>	<ul style="list-style-type: none"> • Cost of remittances • Proximity of service 	<ul style="list-style-type: none"> • The use of agents and digital channels for money transfers. 	
 <p>Leaf Global Fintech</p>	<ul style="list-style-type: none"> • Cost of remittances • Proximity of service 	<ul style="list-style-type: none"> • Facilitates money transfers across international borders in East African countries (Kenya, Uganda, Rwanda). 	
 <p>Airtm</p>	<ul style="list-style-type: none"> • Cost of remittances • Proximity of service 	<ul style="list-style-type: none"> • Digital account in dollars that allows trading of currencies and cryptocurrencies. 	

Enabling access to existing products is the first step in connecting with this market. Work in three areas would facilitate access.

Recommendations

1

Market knowledge

Extending migrant access to available products requires a thorough understanding of specific needs. This study helps reduce the information gap.

2

Barriers

Documenting and analyzing the internal barriers that limit migrant access to existing products is a highly relevant step to recognize work areas, efforts needed, and time required to address.

3

Communication

Inform the migrant population about the existence and advantages of the existing products. It is important to share a welcome message that reduces self-exclusion and reframes migrants as potential clients.

Conclusions

Despite having relevant existing offerings, the financial sector does not capture the potential demand for migrants due to several internal and external barriers:



Relevant products
Market has attractive products for migrants



Do not capture demand
Available products do not reach the bulk of demand



Internal barriers
Technological, operational, regulatory, among others



External barriers
Political, economic, social and demand-related factors

In addition, supply-side actors can implement the following recommendations: (1) learn more about the needs of the migrant population, (2) document, analyze and resolve internal barriers, and (3) provide more information to the migrant population about the products and services they can offer them.

7. Market opportunities



Introduction

This **Market Opportunities** section identifies the business opportunities according to the segment needs. These opportunity areas highlight some of the ways in which the segment needs may be satisfied by financial providers.

The process used to identify specify business opportunities was as follows:



Needs analysis

Cross-cutting and segmented needs were identified by cross-checking all available data sources.



Opportunity areas

Defined based on categorization of common needs among different segments.



Business opportunities

Resulted from a co-creation process and focused on the solution of identified needs.

For each opportunity, the characteristics of the potential product, the market size, and potential income are indicated. In addition, we outline actions needed to take advantage of the business opportunities.

Finally, cross-cutting elements should be taken into account to ensure the successful development of offering targeting the migrant population.

Five business opportunities were developed, focused primarily on segments in the stabilization and integration phases.

Business Opportunities

STABILIZATION
PHASE

1

I can help
you save
more money

2

I am developing a
relationship with
you through
remittances

*Opportunities for migrants
who are mostly in the
Stabilization phase, mainly
looking to save and send
remittances.*

INTEGRATION
PHASE

3

Use of
alternative data
for credit
identification
and history

4

I guarantee your
connection with
your loved ones
and with the
financial system.

5

We give you
tools to help
you help
yourselves as
Venezuelans.

*Opportunities for migrants
who are mostly in the
integration phase,
especially in search of
credit.*

1

I can help you save more money

The need is for greater smoothing for unforeseen expenses and peace of mind for future expenses and financial independence.

Areas of opportunity

Taking advantage of routines

Low-cost health care

The savings product not only generates financial stability but also peace of mind and emotional comfort.

Need

Increased smoothing for unforeseen expenses and peace of mind for future expenses and financial independence

Explained by:

- They feel that if they have to face a large expense they will be in trouble.
- The main unforeseen aspect is health. Without health they cannot continue to produce. COVID effect.
- For this reason, they mention a desire increase access to health insurance.

Product

1. Savings account, easy access, in Soles and USD
2. Affordable health, insurance options

What does it solve?

- Tangible: "I'm saving money, I'm prepared for the unexpected."
- "I am protected"
- Intangible: Access, I am within the system, "this country welcomes me"



Segments: Provider, gig, and brave mothers.

The capture of migrant savings generates returns for financial institutions compared to paying interest on time deposits.

Estimated savings market size

$$140.000 \times 948 \text{ PEN} = 133\text{M PEN}$$

Individuals currently saving

Average savings balance

POTENTIAL MARKET SIZE

7.3M PEN

Total savings generated.
Difference between the cost of demand savings and fixed-term deposits.

A. Cost of term deposits

$$7\% = 9.3 \text{ M PEN}$$

Annual interest

Annual cost

B. Cost of demand savings

$$1.5\% = 1.9 \text{ M PEN}$$

Annual interest

Annual cost

Source: own study (2021)

There are three main barriers to developing this opportunity

Identification



- If the person does not have a foreign ID, he/she cannot open a savings account. We have found only a few exceptions.
- Information on the different permits and the procedures they enable is not clear according to migrants.

Customer knowledge



- By not having a recognized identity document (foreign ID), the financial institutions cannot know if the person who wants to save is engaged in legal activities, is carrying out scams, has a criminal record, etc.
- There is no information on the history of migrants either before or after their arrival because most of them are engaged in informal activities.

Biases



- Venezuelan migrants think that banks do not want them as clients.
- Banks do not communicate a message of openness to migrants and, when they do, it is not consistent in all branches or channels.

2 I am developing a relationship with you through remittances

There is a need to access the local financial system through credit or savings, but they are unable to do so for lack of a trusted gateway: remittance agents can be this gateway.

Areas of opportunity

Remittances are more than a financial link

Leveraging routines

Transactional products can capture remittance flows between migrants and serve as an entry channel for other financial products.

Need

Access to savings accounts, credits, credit cards, etc.

Explained by:

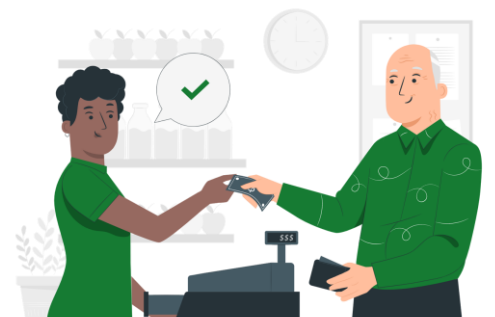
- They feel they can't get anything official.
- "If they knew that I am an accomplished person", "If they knew me."
- The remittance agent, usually Venezuelan, has become the actor who "helps you".

Product

Remittance agent facilitating financial inclusion through a connection to financial institutions

What does it solve?

- For the individual: Generates information on money available, payment frequencies, evolution of financial situation.
- For the financial institution: access to this migrant population.



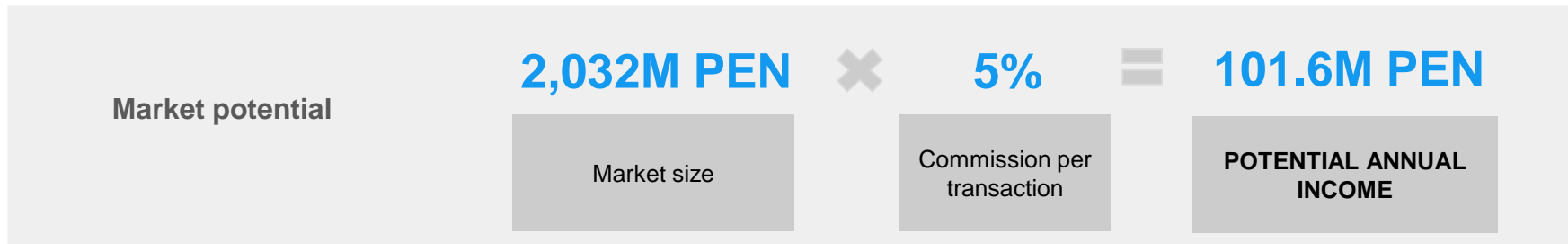
Segments: Provider, Gig and brave mothers.

Remittances generate valuable information for the financial system and could be the critical customer knowledge tool that does not exist today.

Estimated remittance flow

Frequency of sending remittances	Individuals	Operations per year	Average amount	Annual amount
Every 3 months	238,000	952,000	\$79	\$75,208,000
Monthly	187,000	2,244,000	\$139	\$311,916,000
Biweekly	204,000	4,896,000	\$336	\$1,645,056,000
Total	629,000	8,092,000		\$2,032,180,000

+8M
TRANSACTIONS PER YEAR BETWEEN THE CUSTOMER AND THE REMITTANCE SERVICE



The operation of remittance agents is an infrastructure that financial institutions can take advantage of to access the migrant population.



- Financial institutions already have experience in leveraging channels such as warehouses to reach more customers: **banking agents**.
- Remittance agents have information about their clients that can be useful for building financial history.
- The trust Venezuelan migrants have in remittance agents is a gateway to inform about other products.
- Building a network of remitters requires a strategy for recruiting, evaluating, and training new agents.

More than a barrier, significant effort is required for the organization and articulation of remittance agents with financial institutions.

Atomization



- Remittance agents are scattered in the main cities of the country.
- The first step is to locate them and offer an agreement with which both they and the financial institution can benefit.

Informality



- Although the Peruvian side of the model may be known, the Venezuelan side is not. To create a business model for this service alone, one must assume that the Venezuelan side will be under less control than the Peruvian part.
- Even in Peru, many of these agents engage in informal activity and not in all seek to formalize.

3 Use of alternative data for credit identification and credit history

There is a need to expand access to credit from the current supply by expanding the credit risk analysis capabilities of the financial institutions.

Areas of opportunity

Lending as a path to prosperity

Migrants seek greater wellbeing via consumption or capital, which allows them to have greater economic autonomy and a better quality of life.

Need

Access to capital to improve their quality of life through consumption, education, or entrepreneurship.

Explained by :

- Current employment situation is precarious
- "If I had credit, I could start my business".
- No access to credit due to lack of information on credit history

Product

Credit to take alternative information into account when evaluating risk

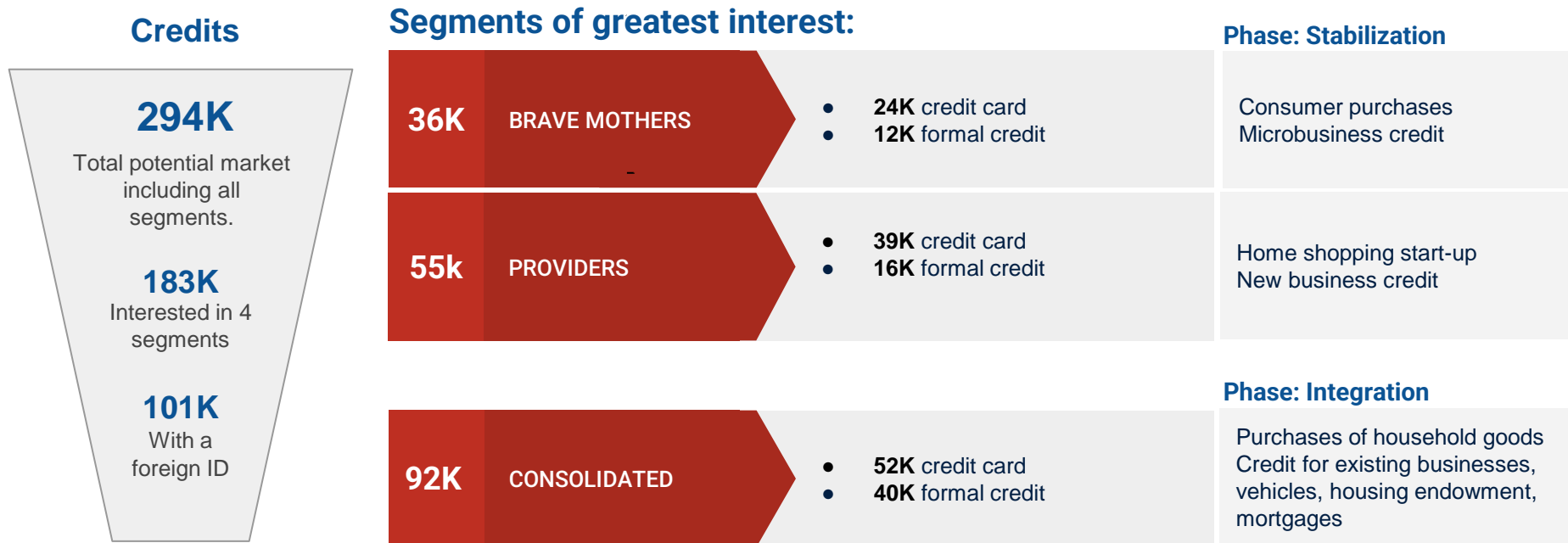
What does it solve?

- Tangible: Access to credit
- Intangible: Access, I am in the system, "this country welcomes me."



Segments: Consolidated and empowered women.

Although this opportunity could target many migrant segments, some segments have a better credit profile and greater interest in products of this type.



The economic returns for financial institutions could be significant, especially if loans become recurrent.

294K

Potential credits

\$147M

Potential market size

\$33M

Potential annual income

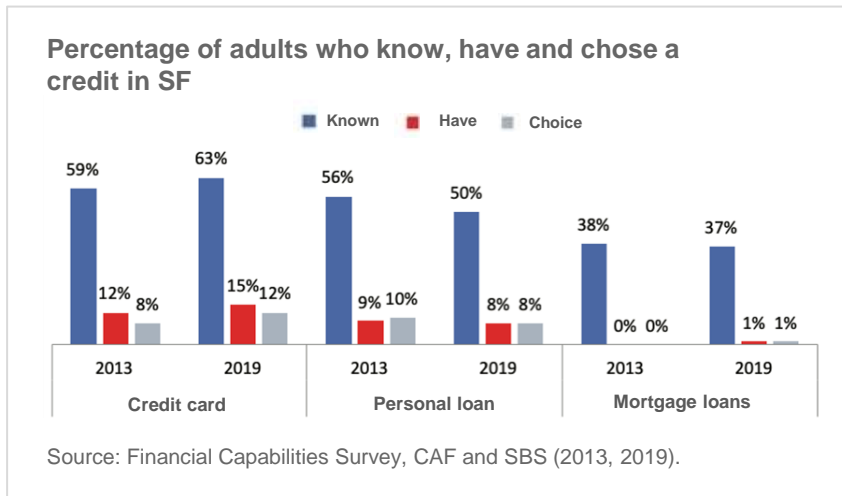
Model with a working capital loan

Credit size S/ 2,000
 Annual interest rate 40%
 Credit term 12 months

(All in S/)	Total	1	2	...	11	12
Capital beginning of period		500	465.43		97.57	49.58
Monthly payment		51.24	51.24		51.24	51.24
Interest for the period	114.83	16.67	15.51		3.25	1.65
Repayment of the period		34.57	35.72		47.98	49.58

Total loans 294,000
 Portfolio size S/588 millions
 Portfolio size \$147 millions

Beyond the migrant population, this opportunity may also help address Peru's unbanked market.



- The percentage of adults who have NO credit in Peru is lower than regional and world averages.
- When people are asked why they have not applied for credit, 20% cite 3 reasons: self-exclusion, poor convenience and cumbersome process.
- The reach could be 3 million adults, who are a potential market for a friendly and faster flowing process.

This opportunity addresses the main barriers preventing migrants from accessing credit.

Lack of credit history



- Although the entities say "lack of documentation," it is the lack of information they need to evaluate the credit history.
- Alternative credit risk analysis uses psychometric tests or non-traditional data such as internet or cell phone use. ID should not be the main reason for exclusion.

Risk aversion



- System players do not take risks with populations they do not know well, such as migrants. Other new players (fintech) are taking risks as they are looking for market fit.
- The use of alternative methods of credit risk analysis by new players can complement more traditional methods.

Guarantees



- Migrants do not have roots in the country, unless they are among the first to arrive. So, it is difficult for them to have a guarantor. The same is true for collateral, as they do not have registered property.

4 I guarantee your connection, with your loved ones and with the financial system.

Migrants need to be connected with their community, their family, and at the same time, make transactions within the Peruvian community for payments.

Areas of opportunity

The world of mobile devices

*Lending as a path to
prosperity*

Connectivity through cellphone plans facilitates transactions and helps build credit histories.

Need

Mobile device to stay connected with the family and make money transactions across platforms.

Explained by:

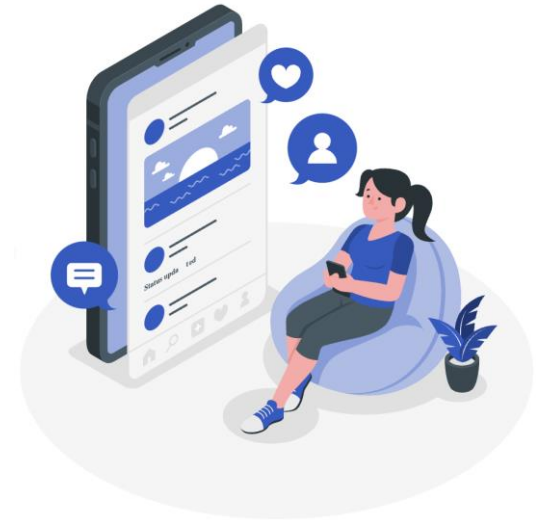
- Their activity as independent entrepreneurs forces them to use Yape or Plin.
- "I have to have Yape to be able to get paid."
- They want to be connected with their networks, with the people they follow in Venezuela.

Product

Credit for cellphone ownership, credit history building, and access to payment platforms

What does it solve?

- Ownership of a cellphone to be able to make transactions
- Access to a savings account associated with the use of the platform
- Construction of credit history with the payment behavior for the cell phone



Segments: Providers, gig and brave mothers.

Internet connectivity is a means of access to support networks and a work tool.

Potential market size, balance recharges

$$561K \times 240 \text{ PEN} = 134M \text{ PEN}$$

Individuals who make balance top-ups and do not have a postpaid plan.

Average annual top-up amount
(15 PEN monthly)

Money spent by migrants on data top-ups per year

Devices

850K

Nearly 100% of the economically active population (EAP) have a cellphone

Transactional use

153K

They receive their payments or provide services through apps such as Yape and Plin.

Could the money spent on top-ups be moved to cellphone plans that allow building credit histories?

Credit to buy cellphones exists, but we must shape it to be a tool for financial inclusion.

Currently, cellphone companies do offer credit to acquire equipment, but their system is just as restrictive as the current market.



The advertisement features a blue background. On the left, two smartphones are shown: a Motorola Moto C and a POCO X3 Pro. A plus sign is between them and a white iPhone. A red circle with '-29%' is above the iPhone. Text to the right of the iPhone reads: 'PRECIO ONLINE S/ 5169', 'ANTES: S/ 7309', 'Postpago Portabilidad Max Ilimitado 189.90', and '20% dto. x 6 meses S/ 151.92'. Below the phones, it says 'CÁMARA NUEVA' and 'SELFIE EN LA ARENA'. At the bottom, a white box contains 'S/0 cuota inicial y en 12 cuotas sin intereses.'

BLOG 19 NOVEMBER 2019

Smart Phones, Smart Partners: Linking Asset Finance and Microfinance

By Daniel Waldron, Max Mattern

- The innovation lies in the alliance between the mobile provider and the microfinance company, since it uses the latter's credit model (more risk).
- Similar models in Africa started with solar energy financing, with success.
- In 2018 the company Baboab+ in Senegal begins to offer PAYGo financing (so called because you pay as you consume) proving successful.
- PayJoy reference model.

Collaboration between mobile and financial players appears to be the most manageable barrier in this world of leveraging cell phone usage.

Coordination among stakeholders



- Joint work between a telephone company and a financial institution.
- The parameters for sharing information and the commercial agreements must be defined when potential clients pass from one company to the other.

Customer knowledge



- As with savings, the expansion of cell phone credit will depend on migrants having the traditional documentation: foreign ID card.
- It is also key to contact the Migrations agency to obtain information.

Technology to use cell phone information



- Advances have been made to use information from transactions made with payment platforms, however, the introduction of data consumption or call time is not yet used in credit evaluation.

5 We give you tools to help you help yourselves as Venezuelans.

There is a need for access to the financial system and we are offering it to them by capitalizing on their contacts and community: group loans, crowdfunding, and peer-to-peer.

Areas of opportunity

My identity and my community

Better access and better use

Community networks have become a strength of the migrant community and these can be capitalized on as levers to obtain loans

Need

Access to capital to improve their quality of life through the implementation of a business venture.

Explained by :

- Need is the same as opportunity 3, but the means are different
- They have a strong network and capitalize on it only informally
- "My relative knows that I pay"

Product

Group-based lending, personal guarantors and support in the community at large

What does it solve?

- Tangible: Access to credit
- The formation of mixed groups between Peruvians and Venezuelans strengthens community integration and reduces the risk for financial institutions.



Segments: Consolidated and empowered women

Formalizing mutual support practices can expand the transactional information available and capture a large cash flow

245K Individuals

Market potential in the segments of interest.

166K Individuals

Latent demand for business credit.

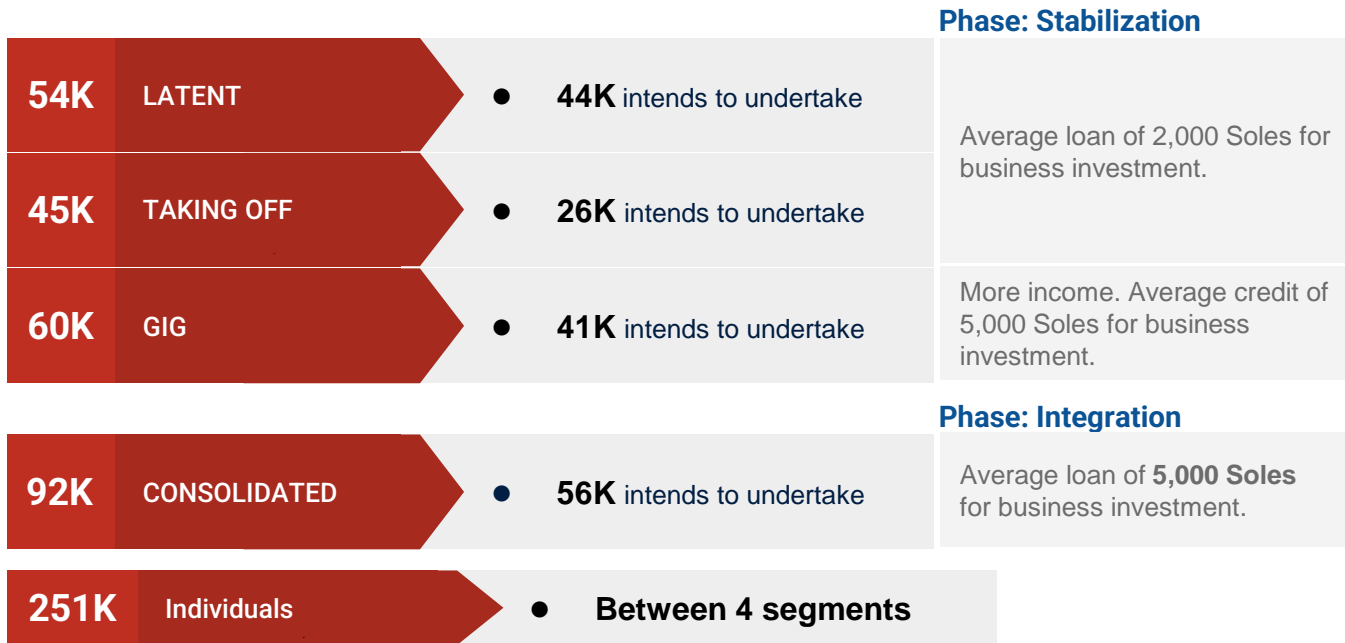
160M USD

Potential annual group lending market.

110M USD

Potential annual income with an annual interest rate of 70%.

To estimate the potential market for group lending we consider the segments with the highest short-term entrepreneurial intentions, the highest use of group savings and those who have applied for business loans to a greater extent.



The economic impact for the financial institution could be significant, especially if the loans become recurrent.

160K

Potential credits to place

\$80M

Potential market size

\$28M

Potential annual income

Modeling with a working capital loan

Credit size S/ 2,000
 Annual interest rate 60%
 Credit term 12 months

(All in S/)	Total	1	2	...	11	12
Capital start of period		500	468.59		104.89	53.73
Monthly payment		56.41	56.41		56.41	56.41
Interest for the period	176.95	25.00	23.43		5.24	2.69
Repayment of the period		31.41	32.98		51.17	53.73

Total loans 160,000
 Portfolio size S/320 million
 Portfolio size \$80 million

Although migrant groups may represent a higher risk, you could start by granting loans to groups with Peruvian and Venezuelan members.

Experience in group lending to Venezuelans



- The experience of the entities has been built with solidarity groups of Peruvians. It is reasonable to assume that the group commitment to pay also exists among Venezuelans.
- The model could be employed using mixed groups. Entities that already lend to groups are open to this option.

Technology P2P and crowdfunding



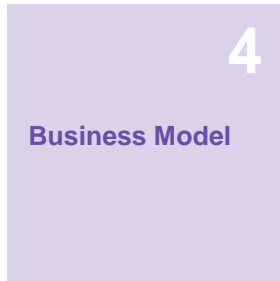
- These models are rarely used in Peru. This could be a good opportunity for their implementation with the Venezuelan community.

Cross-cutting enablers for the successful development of offerings should be used to target the migrant population

Enablers

Enablers seek to help the entire system improve the impact of a value proposition targeting migrants.

These elements facilitate the implementation of a customer service strategy or generate added value.



Enablers from the perspective of the regulatory, technological and operational environments

- 1 Regulatory environment:** A migration policy that allows migrants to remain in Peru for the long term, with opportunities for access to permanent residency, has a greater potential to impact their financial inclusion in Peru.
- 2 Technological:** Allocate resources to make the internal information systems of financial institutions more flexible in order to register and validate the migrant identity card numbers.
- 3 Operational:** The adjustment of internal regulations for risk analysis for the success of a commercial strategy aimed at migrants is key. It is necessary to consider populations characteristics, in terms of their financial practices and to track each of the information inputs generated via commercial activities.

Business model and ecosystem enablers.

- 4 Business Model:** Marketing campaigns and communication strategies aimed at migrants are critical to developing migrant offerings. Likewise, the training and sensitization of commercial teams is an important element.
- 5 Ecosystem:** Generating strategies that allow the construction of relevant information about migrant capabilities is key for different actors in the ecosystem to take advantage of these capabilities or generate relevant value propositions.

Alternative strategies around potential enablers of the business model and ecosystem are outlined below.

4

Enabler for the
business model

I welcome you

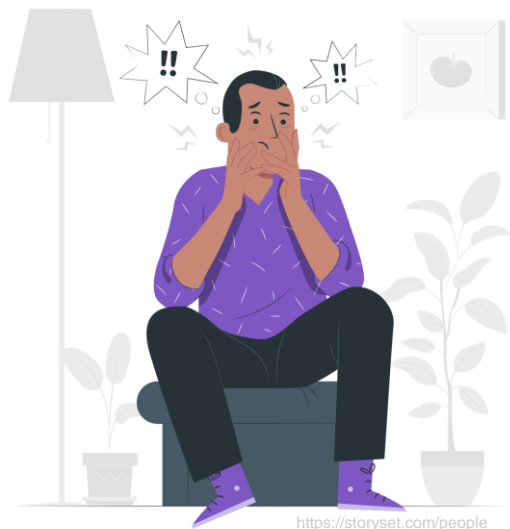
There is a need to feel accepted,
recognized, and valued in society.

Areas of opportunity

*My identity and my
community*

Better access and better use

The migrant population self-excludes from the financial system because they perceive barriers related to their migratory status and nationality.



"The products of this financial institution are exclusive, so it seems to me a waste of time to try to access them."

- 1 This perception starts from the moment they arrive in the country, since they may have entered in an irregular manner.
- 2 The media help to generate this feeling of rejection, as they speak disparagingly of "Venezuelans".
- 3 This means that they do not want to approach financial institutions for fear of rejection.
- 4 In addition, there are also barriers at the financial institution with the official requirements (foreign ID) in hand.

Benefits of working on this business lever

I welcome you

Opportunities related to opening up beyond the financial sector

Motivation to carry out the immigration process

With a message of openness, Venezuelans will not be afraid to go to the Migration agency to regularize their income.

Public policy will benefit

When the magnitude of the migrant groups is known, it is possible to adjust education, health, and information measures, etc.

Basic information is key

From Mystery Shopping, we discovered that migrants do not even know many of the financial institutions. This is easy to solve.

The industry as a whole will benefit

With documented income, it is possible to redesign commercial actions in a way beneficial to the entire industry.

Motivation is generated to get them to move

With a policy of openness, Venezuelans themselves approach public and private entities to receive services.

Welcome message is key

For financial institutions, the welcome message is also key: "I'm here and you are welcome."

5

Ecosystem enabler

**I provide you the information
and support to improve your
employment situation.**

There is a need to revalue my skills,
stability, and income predictability.

Areas of opportunity

Certification of human capital

Besides many being ineligible for credit, migrants experience labor mismatch and are not employed according to their capabilities



"I'm an engineer but now I do delivery... I'm still better off than in Venezuela."

- 1 Venezuelan migrants are underemployed according to their abilities.
- 2 The lack of proven information about their training, coupled with the precariousness of migration, means that they get basic jobs.
- 3 Venezuelans claim to experience xenophobia because even if they have valid papers, the industry does not trust them.

Benefits of working on this business lever

I provide you the information and support to improve your employment situation.

The validation of the educational level is a first step towards better labor and financial access.

Need to certify migrant education

Knowing and being able to use your skills could open the door to a more stable job market.

Migrants themselves can benefit

They can take advantage of the capabilities of their fellow countrymen and women, as they trust each other more.

Improved motivation if you do what you know

Being underemployed in another sector is a discouraging factor for the migrant. Feeling that they are doing what they know enhances a sense of inclusion.

The national labor market could benefit

Knowing the gaps in the Peruvian professional market and the supply of migrant professionals can help to solve national shortcomings.

A better employee generates financial access

If migrants become formally employed, they will have a better chance of accessing the financial system.

For the opportunities identifies and the design of relevant value offerings targeting migrants, three elements should be considered.

Recommendations

1

Identify the need

Starting from the user's need guarantees the relevance of the product or service offered. For this, it is important to understand the direct needs and appreciate underlying factors.

2

Market sizing

Having flexibility and considering different alternatives to identify market size is key. Common needs can generate more attractive market sizes.

3

Design of the value proposition

The added value that can be introduced in a product may serve as a differential factor to position yourself in a new segment such as that of migrants.

Conclusions

The difference between **opportunities and enablers** is key. While each opportunity is proposed for one or two types of actors, enablers are proposed to help close general gaps in the market.

Within the business opportunities, it is important to consider the Venezuelan migrant's integration. While the **Stabilization Phase** shows less sophisticated products and can be used by most migrants, the **Integration Phase** offers opportunities for more sophisticated products and, therefore a smaller market potential.

Some opportunities such as the **developing a relationship through remittances**, has high potential due to the existing demand for this service. However, the implementation effort may be great due to the atomized nature of this market, which impedes taking full advantage of the opportunity.

Other opportunities, such as the **use of alternative information** or the **use of cellphones** to facilitate access to more sophisticated products such as credit, also have a more complex technology risk. Yet here financial actors have already developed product platforms serving the Peruvian market, and therefore, the chances of success may be greater.

Enablers apply to the market in general. For the implementation of these, the role of chambers, associations, or guilds is key.

7 . Conclusions and recommendations



The study's conclusions include recommendations for each of the ecosystem actors with the potential to address Peru's migrant population. Recommendations are included for the different types of financial sector entities, the public sector, NGOs and multilateral organizations, and the ecosystem in general.

1. Recommendations for financial system stakeholders

Understanding the market

- Although the migrant population shares characteristics with the Peruvian population, it is important to understand their profiles, aspirations, pain points, and needs. Migration has different effects at different times of life, so not all migrants are the same. A thorough understanding of these elements helps foster the development of a relevant service offerings for specific migrant segments.

Identify and understand the barriers

- Understanding the market makes it possible to identify which elements of each financial institution's current value proposition may be relevant to migrant segments. Based on this analysis, one can propose different ways to adjust certain products and services in a cost-efficient manner to meet the real needs of the population.

→ It is necessary to allocate resources to ensure the success of a strategy targeting at migrants, including the **adaptation of information systems** and the alignment of **incentive schemes for commercial teams**. Internal barriers should not be underestimated; it is necessary to develop exhaustive analyses across organizations to identify these barriers. It is also important to identify unconscious biases about the migrant population.

Start with available products and services

→ Financial institutions that decide to make their risk models more flexible to offer credit to the migrant population will have an obvious opportunity in this market, and not only because of the segments sizes and potential. It is also important to consider **the long-term loyalty that can be achieved with new migrant clients, thanks to the loyalty that populations excluded** from the financial system already commonly show to entities that build trust with them.

→ **Microfinance** institutions and **finance** companies have a clear niche market for microcredit with Venezuelan entrepreneurs. Furthermore, companies with experience in group lending can quickly take advantage of the willingness of the migrant population to establish strong networks. Although this lending format may not be familiar to the Venezuelan community, the possibility of accessing productive credit and building a credit history in Peru may be sufficient incentives to adapt to group lending dynamics.

- **Multi-segment banks** have an opportunity to expand their transactional and savings customer base with the migrant segments with foreign ID card. If, in addition to this, there are possibilities of access to digital products for migrants with other types of documents - especially refugees - market opportunities can double in size. The massive flow of transactions among the migrant population, especially in the form of remittances, is an incentive for attracting customers in the short-term and for the sale of credit and insurance products in the medium-term. It is necessary to use the information from these transactions to analyze the potential of each client.
- **Fintechs** have the potential to develop innovative risk analysis models to offer access to first-time borrowers. Different types of productive credit, such as for motorcycles or small amounts of working capital, are relevant formats for self-employed workers. Consumer loans in alliance with appliance suppliers could also serve as gateways to credit for migrants and generate valuable information for the financial sector.

Recognizing the migrant

- It is key to important to overcome the narrative that the financial sector in Peru does not offer opportunities for migrants. Many in the migrant community prefer to avoid experiences of rejection and therefore steer clear from formal financial service providers. It is necessary to work on **communication campaigns targeting migrants, with a clear message of welcome**, a recognition of their cultural values, as well as their potential to contribute to the economic advancement of the country.

Working with allies

→ Many of **financial inclusion challenges can be overcome through cooperation between inclusive actors in the financial sector and non-profit, NGO or multilateral organizations** that have contact with and knowledge of a new market. The Venezuelan migrant population is no exception. Different international and local organizations are currently working for the economic integration of this population in Peru, and financial sector actors should be aware of the cooperation spaces created by UNHCR, IOM, and the Government of Peru, among others.

2. Recommendations for the public sector

The Peruvian government has developed policies that facilitate the integration of the Venezuelan migrant population into the country's economy. This work could be extended to offer the private sector even greater facilities to offer products and services, enter into contracts, or carry out any type of commercial transaction with the migrant population. **Continuing efforts to afford the migrant population the opportunity to access an officially recognized identity document in Peru is one of the most critical areas to address.**

→ A significant proportion of the migrant population has sought refuge as an alternative to access of a temporary stay permit in the country. In addition, not all cases have an identification document that accredits them as refugee applicants.

In this sense, it is necessary to ensure that these people have an identification document with acceptable security features to avoid erecting barriers to economic activities and participation.

- It is also important to advance in the **development of identity validation mechanisms** that offer private sector actors greater security guarantees when entering into contracts or carrying out transactions with the migrant population. In the case of Colombia, for example, the Foreign Ministry developed a web-based identity validation service that allows financial institutions to confirm the validity of temporary residence permits at a low cost.
- The national statistics office has made efforts to characterize the Venezuelan migrant population in the past, as in the case of the 2019 ENPOVE. However, it is necessary to implement this type of exercise on a regular basis. Different actors in the public and private sectors and international cooperation need sufficient **updated information for the design of policies and programs aimed at migrants**.
- The public sector can play a coordinating **role in the organizational ecosystem which should provide services to the migrant community, with the goal of improving the program efficiency and effectiveness**. The role of the National Superintendence of Migration, the Superintendence of Banking, Insurance and AFP, INEI, among others, is key for actors of the ecosystem to have updated information regarding the regulation, regularization and characterization of the migrant population.

3. Recommendations for NGOs and Multilaterals

The information in this study also targets entities NGOs, non-profit organizations, multilateral organizations and international cooperation organizations. These recommendations will help foster fuller take-up of products and services for migrants:

Market segmentation

- Although the main emphasis of this document has been placed on market segments with higher levels of integration and economic autonomy, **research has covered the entire elder migrant population and has identified segments with higher levels of vulnerability.** The characteristics of these segments can be consulted in the annex of this document for a multidimensional understanding of particular needs.
- **Segments in the insertion phase are characterized by a high level of economic dependence, most of whom do not have regular income-generating activity or engage in an incipient economic activity.** They could benefit from vocational orientation services, market information, job training, and financial education. In these segments there may be a greater impact of migration on family relationships and self-perception, which is also why it is a priority to offer psychosocial assistance and training in emotional management skills.

Articulation with the financial system

→ It is essential for humanitarian organizations to understand the risks to which financial sector actors are exposed. In the search for inter-institutional synergy, the migrant population's needs for access to financial and non-financial services evolve as they advance in the integration process. It is essential **to bring closer the financial sector to those segments of migrants who are prepared to take advantage of the available offerings and not focus necessarily the most vulnerable population**, in order to generate mutual benefits for both the population and the financial institutions.

4. Recommendations for the ecosystem

Inter-sector articulation

→ UNHCR and member organizations of the Working Group on Refugees and Migrants (WGRM) engage in constant effort to coordinate actions targeting migrants. It is important **to strengthen these initiatives, support UNHCR's leadership, and contribute to assuming active roles in the defined action plans**. It is also necessary to involve public and private sector actors that can contribute directly or indirectly to the economic and financial inclusion of the migrant population.

Recruitment of migrants

→ **The hiring of employees of Venezuelan origin may be a key aspect for organizations seeking to serve the migrant population or develop programs that facilitate integration.** There are multiple advantages to incorporating migrants into work teams, such as the migrant perspectives on technical and operational strategies as well as benefiting from the diversity that he/she brings to the team. For example, even firsthand experience of the administrative regularization and hiring process can provide additional insights into the barriers that migrants face in securing formal employment.

8. Annex



General methodology

Multiple data collection and analysis techniques were used to conduct the study.

More than **1,200 surveys were administered to Venezuelan migrants** residing in Peru, using the Respondent Driven Sampling (RDS) methodology, which combines elements of snowball and probability sampling. This method is useful since the migrant population is still considered a hidden population (hard to reach), and there is no representative sampling frame for Peru.

In the analysis of quantitative data, a clustering technique (**Latent Class Analysis or LCA**) was used to identify the optimal grouping of data patterns via use of a broad set of variables.

Since the data collection was carried out in the context of the Covid-19 pandemic, non-face-to-face qualitative research methodologies were used. For instance, **phone interviews**

allowed us to deepen characterization of the segments, and **WhatsApp diaries**, which consist of a daily follow-up of a subsample of migrant entrepreneurs, provided insight into self-employment dynamics.

The **mystery shopper client technique was used to identify and verify access barriers** to financial products via face-to-face and digital channels in different financial institutions in Peru.

An **exhaustive review of data and secondary sources** was also carried out, which allowed building on research efforts of other organizations cited in the analysis.

For more details on the methodologies used, see the remainder of the annex where approaches used in each section of the study are described.

Methodology demand

To investigate demand, a representative survey was conducted taking into account secondary sources and in-depth qualitative interviews.

**1,214
Surveys**

- Applied to migrants in Venezuela using the methodology based on Respondent Driven Sampling (RDS) references.
- The expansion factor is calculated taking into account the reference trees of respondents and calibrated taking into account the Economically Active Population.
- The questionnaire contemplated sociodemographic, financial inclusion and social capital aspects.

Secondary sources

- Specialized studies on the financial inclusion of migrants, official reports and aggregate data on the situation of the migrant population in Peru were analyzed.

**10
WhatsApp Journals**

- Through conversations via WhatsApp, which were held for a week, we explored the needs and strategies for the management of micro-businesses carried out by the migrant population with entrepreneurial initiatives.

Segmentation methodology

To generate a market segmentation, multiple analysis techniques were used based on the survey data.

**1,214
Surveys**



- Applied to migrants in Venezuela using the methodology based on Respondent Driven Sampling (RDS) references.
- The expansion factor is calculated taking into account the reference trees of respondents and calibrated taking into account the Economically Active Population.
- The questionnaire contemplated sociodemographic, financial inclusion and social capital aspects.

**Statistical
Segmentation**

- Using the LCA method, 13 segments were identified according to their sociodemographic characteristics and needs for access to financial products.

**27
Interviews**

- With a sample focused on the segments of interest, the motivations, pain points and expectations of access to financial products were explored in depth.

Three ways of segmenting the economically active Venezuelan migrant population were used: products, sociodemographic, and activity niches.

- The survey was administered to 1,214 migrants from Venezuela in the first week of December 2021.
- Segmentation began with the filtering of the economically active population defined as those who had received income and/or had actively looked for work in the previous month: n=939.
- The segmentation was initially carried out using three approaches:



Products and services

Step 1: Calculate usage rates of products and services in Venezuela and Peru.

Step 2: Validate according to the reported importance of each product.

Step 3: Calculate the difference in the absolute number of potential customers.

Socio-demographic profile

Step 1: Use a statistical technique (LCA) to create clusters based on socio-demographic variables.

Step 2: Characterize these clusters based on financial products and services and experience variables, as well as psycho-social variables.

Activity niches

Step 1: Identify activities and interests e.g. operate a business, gig economy, educational loan interest.

Step 2: Characterize groups according to socio-demographic strata and variable products and services.

Offering methodology

Four methods were used to collect information on supply.



Direct inquiries

Direct queries were made to the information and customer service channels of the financial institutions (web sites, chat or telephone channel), to map the products they offer and their access requirements.



Discussions with entities

In meetings or calls, conversations were held with different types of financial institutions to present the project and sound out their interest in the migrant market.



Review of quantitative data

Reports published by the Superintendency of Banking, Insurance and PFAs were consulted to verify the position of the players in different markets.








Mystery Shopping

Thirty visits were conducted in face-to-face and digital channels of financial entities to verify the access barriers faced by migrants and to assess the attention they receive. The exercises were carried out by migrants who answered the survey of this study.

Methodology opportunities

The design of the opportunities followed a 5-step methodology developed in workshops with the participation of the entire consulting team.

	Needs Analysis	The main findings of the market study were presented and analyzed, identifying the groups of user needs.
	Insights	The analysis of the groups of user needs resulted in a set of insights that describe the underlying connections or factors between different groups of needs.
	How we can	Insights are translated into design challenges for the satisfaction of user needs, which allows to delimit the solution of the problem.
	Areas of Opportunity	Proposing solutions to the challenges posed allows us to identify categories or areas of action, which are taken as areas of opportunity for the design of solutions.
	Concepts	Proposing solutions to the challenges posed allows us to identify categories or areas of action, which are taken as areas of opportunity for the design of solutions.

Initial results were in the areas of exploration of opportunities, which consisted of a summary of the needs by thematic clusters.

Road to Prosperity Loan

- The loan is seen as the missing opportunity for the migrant to be successful.

Remittances are more than a financial link

- Making a remittance payment also satisfies an emotional need for the migrant.

Taking advantage of routines

- The migrant can now capitalize on what he/she has been doing on a daily basis.

My identity and my community

- The networks already built up by the migrant are valuable and will also help with access.

Better access and better use

- Actions that help access in general and also to make better use of services.

The world of the mobile device

- The need for a cell phone for many activities creates several opportunities for inclusion.

Low-cost health care

- Migrants take good care of their health and worry about not being well enough to go to work.

Certification of human capital

- Demonstrating that you have training and skills, etc. is useful for the private sector and inclusion.

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Creating Markets, Creating Opportunities



Creating Markets, Creating Opportunities